

# The Royal Borough of Windsor and Maidenhead

## Financial statements – 2021-2022

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

# Narrative Report













## Our borough

The Royal Borough of Windsor and Maidenhead covers an area of 76.6 square miles. Located in the heart of the Thames Valley, the borough is rich in areas of natural beauty and green space. The River Thames flows through the borough for 25 miles, forming a significant landscape feature and wildlife corridor. Distinct towns and villages, each with their own identity and character but all related by an attractive countryside, create a high-quality environment in which to live, work and visit. Our unique and long association with the Crown has also gifted the borough with a rich portfolio of heritage assets, attractions, and world-class events.

Situated less than 30 miles from the west of Central London, and close to Heathrow Airport, the borough is on the M4 corridor and is served by a combination of main line and branch line rail services. Our location is a key factor in attracting businesses to invest in the borough, and we are part of a dynamic regional economy. The borough is home to an impressive range of local, national, and international businesses and our residents are able to take advantage of employment opportunities across the Thames Valley region and in the capital.

## Key facts

Icon image	People: Description
	In <b>2020</b> an <b>estimated 151,273</b> people live in the borough. (ONS MYE 2020). By <b>2043</b> this is estimated to be <b>155,348</b> (ONS projections 2018-based edition)
	In <b>2020</b> an estimated: <b>20.2%</b> of the local population are <b>aged 0-15</b> . (2043 estimate: 17.4%) <b>61%</b> are <b>aged 16-64</b> . (2043 estimate: 56.1%) <b>18.9%</b> are <b>aged 65+</b> . (2043 estimate: 26.5%). (ONS)
	In 2020 the <b>estimated median age</b> of the local population is <b>42.6</b> , an increase on 2001 estimates (38.69) (ONS).
	The 2011 Census indicates <b>86.1%</b> of the local population is <b>White</b> and <b>13.9%</b> is <b>BAME</b> . The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show rise in the BAME population.
	In <b>2020</b> an estimated: <b>5,131</b> people aged 18-64 have <b>impaired mobility</b> (predicted to rise to <b>5,323</b> by 2030). <b>2,129</b> people aged 18-64 have a <b>learning disability</b> (predicted to decrease to <b>2,093</b> by 2030). (PANSI)
	In 2020 there is an estimated <b>770 people per sq.km</b> , a 13.2% increase since 2001 (680 people per sq.km) (ONS)
	<b>Life expectancy</b> at birth is <b>81.8 (males)</b> ↑ SE average (80.6) and England average (79.4) <b>Life expectancy</b> at birth is <b>84.7 (females)</b> ↑ SE average (84.1) and England average (83.1) (2018-20, ONS)

Icon image	People: Description
	The borough has a <b>Score of 8.4</b> on the <b>Index of Multiple Deprivation (IMD 2019)</b> <b>↓ SE (15.5) and England (21.7) (MHCLG)</b> . However, the borough has some areas ranked as <b>most deprived</b> (scores 1-4)
	<b>70 parks</b> , open spaces and play areas, covering a total area of around 295 hectares  <b>25 miles</b> of River Thames
	Over <b>950 Listed Buildings</b> , <b>17 Scheduled Monuments</b> (including Windsor Castle) <b>12 registered historic parks and gardens</b> , and world-class attractions and events
	<b>27 Conservation Areas</b>  <b>11 sites</b> designated by Natural England as very best wildlife and geological sites in the country
	<b>66</b> state schools
	<b>6</b> leisure centres (externally managed)
	<b>11</b> libraries
	<b>10,785</b> active businesses (IDBR, 2020) Highest proportion ( <b>24.6%</b> ) of local businesses are in the <b>professional, scientific, and technical industry</b> (2021, ONSIDBR)
	<b>82% economic activity rate</b> <b>↑ SE (80.8%) and ↑ England (78.7%)</b>  <b>77.5%</b> of economically active <b>employed</b> <b>↓ SE (77.6%) and ↑ England (75.1%)</b>  <b>3.6%</b> of economically active <b>unemployed</b> <b>↓ SE (3.8%) and England (4.5%)</b> (Dec-21, APS, ONS)
	<b>58.6%</b> of <b>working population</b> educated to <b>NVQ4 level and above</b> <b>↑ SE (45.1%) and England (43.1%)</b> (Dec-21, APS, ONS)
	<b>£32,240</b> median annual salary for all workers (excluding self-employed) <b>↑ SE (£28,200) and England (£26,192)</b> (ONS, ASHE 2021)
	<b>£515,000</b> median price of a property <b>↑ SE (£365,000) and England (£285,000)</b> (ONS, Dec-21)

## What we do

We deliver essential services to the community: the residents, businesses and partners of Windsor and Maidenhead every day. Services range from those that we are 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 our behalf by Optalis Ltd and Achieving for Children (AFC) respectively. We share ownership of these organisations with other partner authorities and group accounts are prepared annually including our equity share of these joint ventures.

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.

## Democracy

- Cabinet structure (9 Members)
- **3** Overview and Scrutiny Panels with effect from municipal year 2022/23.
- **14** parish councils and **1** town council
- Political composition:
  - 22 Conservatives
  - 10 Liberal Democrats
  - 2 Old Windsor Residents' Association
  - 2 West Windsor Residents' Association
  - 3 The Borough First independents
  - 1 Independent
  - 1 National Flood Prevention Party
- **Last election:** May 2019, **Next election:** May 2023.

## Our Corporate Plan

Our Corporate Plan 2021-26 was adopted by Full Council in November 2021 with a headline vision of "Creating a sustainable borough of opportunity and innovation". The Plan sets 3 overarching objectives – "Thriving communities", "Inspiring places" and "A council trusted to deliver its promises" – and 50 related goals for achievement in the period 2021-2026. The Plan emerged from an evidence-base and was shaped by public consultation in Summer 2021 and a focused "challenge session" by the Corporate Overview & Scrutiny Panel in October 2021.

The Plan recognises that we have to make choices about where we focus resources, and it is a key component of good governance. Setting strategic direction in order to ensure efforts and resources are directed to the right areas is particularly important given the scale of financial challenge and resource constraint, and in the face of challenges facing the borough, including: climate change; the recovery from the COVID-19 pandemic and wider changes in the shape of the economy; a growing and ageing population; persistent pockets of deprivation and inequalities; and the high costs of housing in the borough. In addition to setting out what we aim to achieve, the Plan also sets out our approach to achieving change.

## Creating a sustainable borough of opportunity and innovation

### Thriving communities

Where families and individuals are empowered to achieve their ambitions and fulfil their potential.

### Inspiring places

Supporting the borough's future prosperity and sustainability.

### Supported by:

**A council trusted to deliver its promises**

## Over the next five years we will prioritise

A ladder of housing opportunity, to support better life chances for all.

Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper.

Taking action to tackle climate change and its consequences, and improving our natural environment.

### Championing innovation and partnership working, our approach is to:

Empower and enable individuals, communities and businesses to maximise their potential.

Invest in prevention, and intervene early to address problems before they escalate.

Shape our service-delivery around our communities' diverse needs and put customers at the heart of all we do.

Make the most effective use of resources - delivering the best value for money.

Promote awareness of a sustainable and biodiverse environment across all of our decision-making.

Promote health and wellbeing, and focus on reducing inequalities, across all areas.

## **What residents think**

The last RBWM Residents' Survey was run in 2018 and a new Residents' Survey will be run in 2022. The survey is a valuable opportunity to establish a representative view of residents' priorities and their level of satisfaction with the council, its services, and the local area. The results of the 2022 survey will help inform the council's organisational improvements as part of our commitment to being "A council trusted to deliver its promises".

## **Our performance**

Following the adoption of the Corporate Plan 2021-26 in November 2021, we have revised our performance management framework ("PMF") and reporting arrangements. The new PMF is designed to report against the Corporate Plan goals and, from April 2022, a new Citizens' Portal was created as an online dashboard to improve transparency and accountability to Elected Members, the public and stakeholders.

The portal shows progress against all 50 Corporate Plan goals, enabling the public to track the council's progress and performance. The portal brings together a wide range of information from the council and wider sources and presents this information in one place to enhance transparency and accountability. More measures and actions will be added to this site over the course of the Plan's life.

Under the new performance reporting arrangements agreed by Cabinet in December 2021, the Corporate Overview & Scrutiny Panel has overarching responsibility for scrutinizing progress on delivery of the Corporate Plan and wider council performance. The Corporate Overview & Scrutiny Panel therefore receives routine performance reports focusing on areas of concern and areas of progress.

## **Strategic Response to the Covid-19 emergency**

The continuing Covid-19 pandemic continues to be an unprecedented worldwide challenge that the Royal Borough has been at the heart of responding to, along with its partners and our communities.

We 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 Royal Borough would face in continuing to deliver services and support our communities could not be fully assessed. However, during 2020/21 and 2021/22, the impact of Covid-19 was clearly visible on the services and has been detailed below.

For the whole of 2020/21 and 2021/22 we have continued to deal with the outcomes of the ongoing pandemic and know that the impact will continue into 2022/23 and beyond.

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

CIPFA undertook a review of governance during 2019 and early 2020. CIPFA's final report was presented to Cabinet in June 2020, which identified a wide range of issues requiring consideration by the Royal Borough. All the recommendations have now been implemented, as reported to Cabinet on 16<sup>th</sup> December 2021.

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.

## The Royal County of Berkshire Pension Fund Governance Review

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 brought in line with best practice. Progress reports were presented to the Pension Fund Committee quarterly through 2021/22 updating the implementation of said governance recommendations. Progress against those recommendations has been significant; All actions have been completed bar two which are currently underway and are delayed due to the requirement for lengthy procurement and legal review processes. All recommendations are expected to be fully complete by mid-2022.

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.
- 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.
- Third party service contracts have been reviewed and re-procured, implementing a more cost-efficient actuarial services contract and more appropriate independent advisory model. Other ongoing service costs have been reviewed leading to savings in 2021/22 and further savings expected in 2022/23.

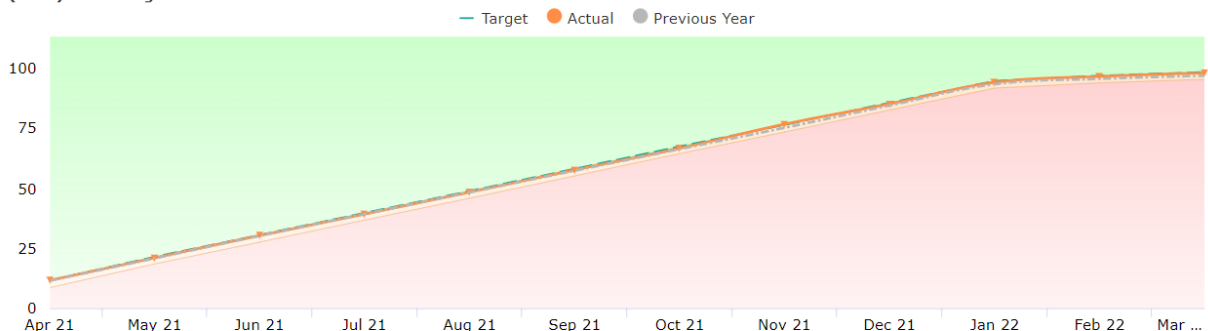
The Financial Statements for **The Royal County of Berkshire Pension Fund** are included in the Supplementary Financial Statements that form part of these accounts (the Royal Borough is the administrator of the scheme).

## Collection Fund

Most of our spending relies on collecting council tax and business rates. Our budgeted share of these two precepts was £93m in 2021/22. Collection rates are therefore closely managed.

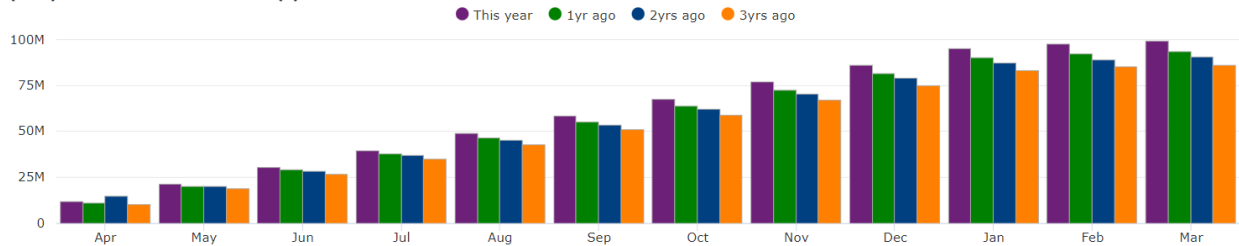
### Council Tax Collection

(RB:1) Percentage of council tax collected



	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22
Target	11.60%	21.50%	30.60%	39.80%	48.90%	58.20%	67.50%	76.50%	85.70%	94.80%	97.00%	98.50%
YTD	11.64%	21.06%	30.34%	39.32%	48.44%	57.68%	66.73%	76.79%	85.22%	94.22%	96.64%	98.10%

(RB:1) Value of council tax collected (£)



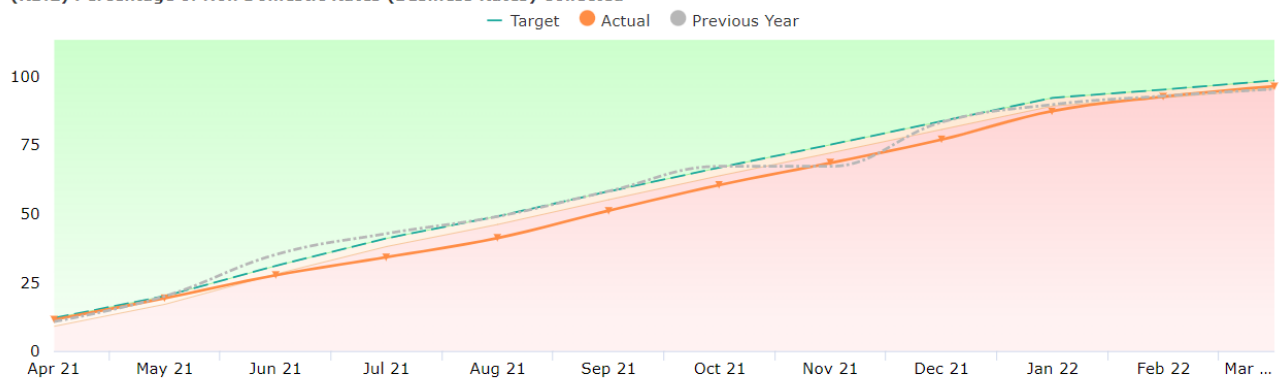
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
This year	£11,749,256	£21,252,177	£30,624,936	£39,670,554	£48,901,428	£58,259,043	£67,407,697	£76,803,248	£86,082,434	£95,152,866	£97,608,434	£99,061,610
1yr ago	£11,105,447	£20,099,148	£29,151,407	£37,932,989	£46,507,642	£55,185,267	£63,814,439	£72,364,308	£81,316,187	£89,876,953	£92,036,732	£93,262,698
2yrs ago	£14,875,311	£19,962,250	£28,431,862	£36,918,819	£45,213,154	£53,610,435	£62,093,177	£70,442,665	£79,001,644	£87,241,284	£88,990,282	£90,343,171
3yrs ago	£10,167,367	£18,749,412	£26,730,625	£34,814,970	£42,662,036	£50,910,051	£58,966,445	£66,899,712	£74,976,078	£82,950,342	£85,068,841	£85,777,222

A total of £99.06m of council tax has been collected in-year, equating to a collection rate of 98.10% against a target collection rate of 98.5%.

£500,000 of government grant funding has been allocated to assist working age 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 Reduction Hardship Fund) on top of usual hardship support.

### Non-domestic Rates Collection

(RB:2) Percentage of Non Domestic Rates (Business Rates) Collected



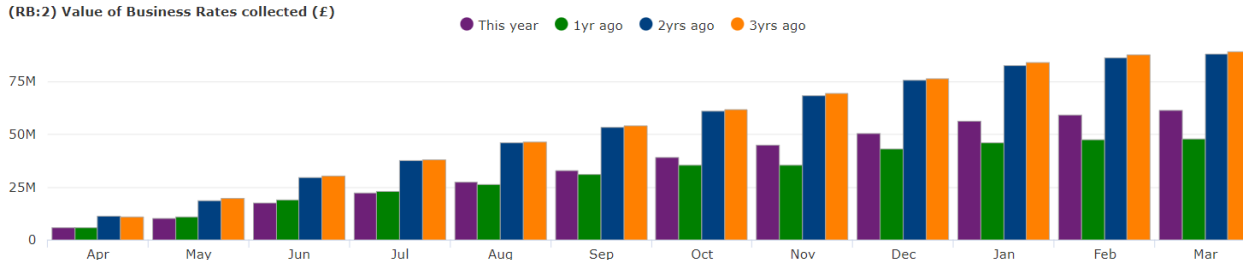
	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22
Target	12.00%	20.00%	31.00%	41.00%	49.00%	58.00%	66.70%	75.00%	83.50%	92.00%	95.00%	98.30%
YTD	11.43%	19.24%	27.57%	34.14%	41.10%	51.01%	60.36%	68.37%	76.83%	87.21%	92.43%	96.19%

Business rate collection was £61.8m equating to a collection rate of 96.19% 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 and Expanded Retail Relief. For the financial year 2021/22 Government announced that these 100% discounts would only be available for April, May, and June. From July 2021 this assistance would decrease to 66% and be subject to new “cash caps” which would limit the amount of relief available. The Royal Borough provided £20.4m Expanded Retail Relief and £369k Nursery Relief to local businesses as a result of a direct response to the global pandemic.



(RB:2) Value of Business Rates collected (£)



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
This year	£6,022,929	£10,183,936	£17,508,680	£22,468,766	£27,300,760	£32,992,369	£39,250,349	£44,893,627	£50,498,965	£56,269,120	£59,355,713	£61,579,540
1yr ago	£5,960,082	£10,831,149	£18,849,149	£22,994,146	£26,473,401	£31,139,042	£35,426,867	£35,426,867	£43,073,275	£46,027,620	£47,389,920	£47,988,775
2yrs ago	£11,452,289	£18,555,526	£29,437,980	£37,492,968	£46,040,499	£53,432,610	£61,058,715	£68,381,347	£75,517,684	£82,587,499	£86,266,864	£88,061,488
3yrs ago	£11,146,018	£19,619,759	£30,343,993	£37,836,796	£46,310,680	£54,234,610	£61,716,466	£69,424,592	£76,564,581	£84,154,700	£87,802,121	£89,108,793

Our share of the collection fund deficit for business rates as at 31<sup>st</sup> March 2022 is £30.51m. This is partly offset by our share of the section 31 grant received during 2021/22.

The ongoing impact on the value of business rates collected in the borough once government support to businesses is scaled back is unknown at this time, but it is 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 we have set aside £1.6m 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 all 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 £55.5m 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 a further 4,949 grant awards totalling £27.3m have been paid to businesses since the further restrictions imposed from November 2020.

In March 2021, government announced a new COVID 19 Additional Relief Fund (CARF) of £1.5bn nationally to support business affected by the pandemic which were ineligible for previous forms of support linked to business rates. Guidance on the operation of the fund, and individual authority allocations, were published by the Government in December 2021. Each local authority is responsible for designing its own local scheme, taking into account the guidance provided around specific exclusions, and they have until September 2022 to implement their scheme and apply the relief. The relief can only be applied retrospectively to reduce the chargeable business rates for 2021/22. The Royal Borough has been allocated £5.1m for this purpose.

## **Impact of Covid-19 on Services**

### **Adult Social Care services**

The National Discharge Fund continued for the financial year, providing funding to local authorities to facilitate safe and effective discharge from hospitals. The Royal Borough and Optalis (a company partly owned to deliver adult social care services) continued to work closely with local NHS organisations to achieve this. This funding ceased at the end of March 2022. There is also some uncertainty as to the longer-term effect of the pandemic, in particular the implications of earlier discharge from hospital, the impact of long covid, and some delayed access to health care. However, despite the ending of the national funding programme we will continue to work closely with health partners and pool budgets where beneficial to do so via the Better Care Fund.

Throughout the year, the Royal Borough and Optalis continued 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. Additional financial support was made available to care providers in the borough and the Royal Borough 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.

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

Schools continued to retain their delegated budgets for 2021/22 whilst they returned to their post pandemic new normal.

The impact of the pandemic on our planned budget for 2021/22 included a budgeted net increased cost of 3%. This increase related to the loss of income for the local authority from use of youth facilities, outdoor activities, and school absence fine income. Additionally, social care costs increased due to 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. Furthermore, the lockdown period has created tensions in many families including increased levels of domestic abuse and increasing referrals and associated costs. These loss of income streams and costs are expected to continue into 2022/23 and 2023/24.

### **Car Parking Income**

When the budget was set there was a large amount of uncertainty over the extent to which parking income would recover. As such, contingency of £3.1m was built into the budget for 2021/22. In the outturn, recovery was faster than estimated and the parking services and parking operations budgets generated a small surplus of £0.6m. However, despite this, income levels remain below pre-pandemic levels and £2.6m of the contingency budget has been removed in 2022/23. A particular uncertainty 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 fully recover in the medium term and the long-term impact is not yet known. As such, this remains a financial risk for the next financial year.

### **Commercial Rents**

The property team has continued to work hard to minimise the impact of Covid-19 on the commercial rents received. The budget was set in a period of much uncertainty and contingency of £1.5m for lost income was included in the budget. In the outturn this contingency was not required, and rental income rebounded more strongly than anticipated.

## **Leisure**

Leisure Focus continued to deliver services following the withdrawal of Parkwood at the start of the pandemic. This included continuing to operate the new Braywick Leisure Centre. Understandably, income from the contract was down on budget by £0.4m, but there is confidence that leisure services budgets can return to pre-pandemic levels. The Royal Borough is currently going to market to ensure continued value for money of this contract, as was agreed at the time of setting up the new contracting arrangements following Parkwoods departure.

## **Impact on the Royal Borough's workforce**

The majority of our workforce have continued to work from home, for at least of their working hours, 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. However, particularly towards the end of the financial year as national restrictions were lifted, staff have adopted a flexible approach and returned to the office where beneficial to do so. Many of the measures introduced to make offices Covid-19 safe have been retained, meaning the amount of desk space is much reduced compared to pre-pandemic levels and so a hybrid approach is required.

A small number of staff continued to be redeployed for part of the year to undertake key roles to support the Royal Borough's formal emergency response to the pandemic.

## **Financial Performance 2021/22**

### **Financial Strategy**

We are 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 expenditure is being spent on services that support individual and vulnerable people. We will strive to achieve the best outcomes for residents achieving the best value for money.

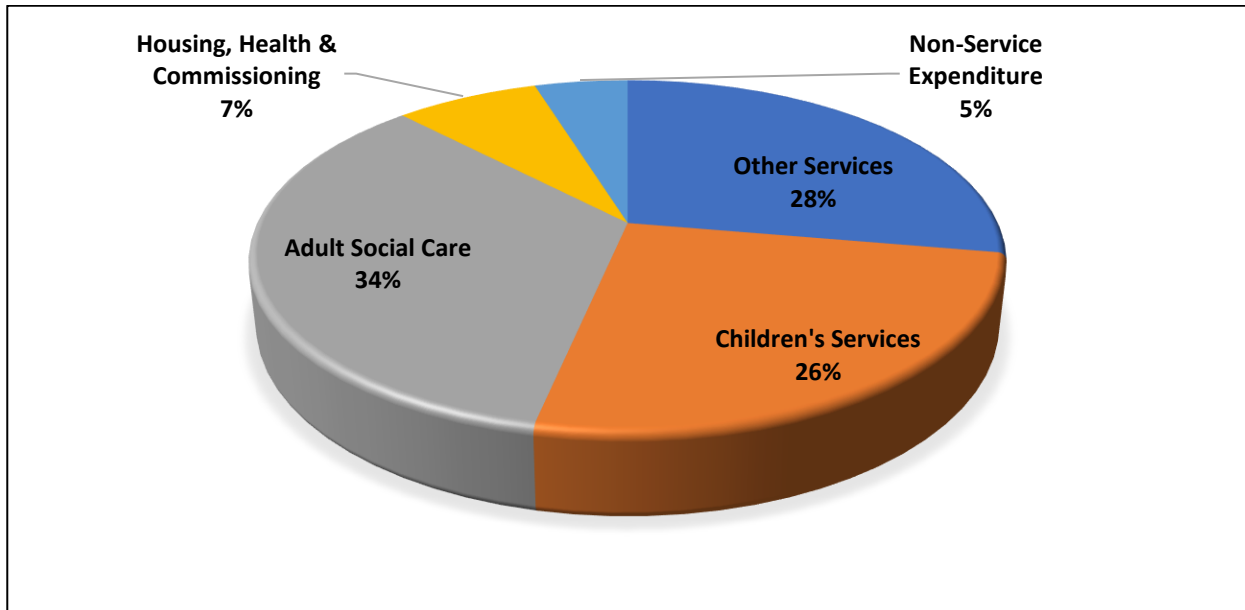
Our low council tax means that any budgets for non-statutory services provided to our community are under pressure. We have committed to a significant savings programme and continually work to ensure that the services we deliver are subjected to rigorous value for money testing. We will continue to seek out opportunities to deliver efficiencies, savings, and ways to increase our income as well as transforming the way we work.

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 we were facing in the short term. Longer term impacts on service delivery and income, particularly car parking income, are still unknown and £9.251m was built into the MTFP to support those pressures in 2021/22.

## Financial Planning

### Revenue Outturn 2021/22

Our net revenue service budget for 2021/22 was £90.494m. The allocation of this budget amongst broad service areas is set out in the chart below:



We reported a £2.353m underspend against the revenue budget for the year 2021/22. The 2021/22 budget was set in the midst of the pandemic and included assumptions concerning the impact of the pandemic and the speed at which the nation would recover. One-off budgets of £9.251m were included to reflect reductions in income and additional costs resulting from the pandemic. The underspend reflects that the recovery has been faster than anticipated when setting the budget. However, these one-off budgets are not available in 2022/23 and many risks to local authority finances remain. The table below details outturn by service area.

Original budget		Revised budget	Outturn (income) / expenditure	Variance
£000		£000	£000	£000
(981)	Chief Executive Department	(1,062)	(2,700)	(1,638)
2,990	Governance, Law, and Strategy	3,845	3,136	(709)
24,364	Children's Services	24,909	25,123	214
39,795	Adults, Health, and Housing	40,933	40,794	(139)
8,355	Resources	8,294	7,551	(743)
15,971	Place	14,935	15,597	662
<b>90,494</b>	<b>Total service expenditure</b>	<b>91,854</b>	<b>89,501</b>	<b>(2,353)</b>
4,557	Contingency budget	1,660	(542)	(2,202)
10,674	Non-service costs	10,674	10,484	(190)
(24,301)	Funding (excluding Council Tax)	(22,668)	(21,710)	958
(3,170)	Transfers (from) / to earmarked reserves	(3,270)	(1,177)	2,093
<b>(12,240)</b>	<b>Total non-service net (income) / costs</b>	<b>(13,604)</b>	<b>(12,945)</b>	<b>659</b>
<b>78,254</b>	<b>Net council tax requirement</b>	<b>78,250</b>	<b>76,556</b>	<b>(1,694)</b>

## Capital

### Capital Strategy

We have ambitious plans to invest in the regeneration of the Council and deliver high quality facilities to our 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 our priorities and links to other key strategy documents, notably the corporate strategy, the Medium-Term Financial Plan, and the Treasury Management Strategy.

### Capital Management

The Capital Review Board continues to improve capital governance and deliver on the strategy above. It 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 Royal Borough. The key aim of the board during 2022/23 will be to continue to review and challenge the profiling of capital schemes to ensure slippage is minimised and resources allocated to current projects.

### Capital Outturn 2021/22

Capital expenditure of £26.2m, was 62% below initial spending plans. Whilst there were net savings on completed projects, most of the variance was unspent budgets slipped into 2022/23.

Planning consent and the current economic climate have led to delays in larger projects proceeding as anticipated, with 11% of capital schemes yet to start as of 31<sup>st</sup> March 2022. Expenditure budgets slipped into 2022/23 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 2022/23.

We minimise our need to borrow for capital purposes by prioritising the use of capital receipts, external grant funding, other external contributions, and reserves.

	Gross budget £000	Slippage £000	Variations £000	Gross outturn £000
Chief Executive department	32,877	(22,701)	142	10,318
Governance, Law, and Strategy	347	(289)	-	58
Place	24,695	(13,066)	314	11,943
Adults, Health, and Housing	1,368	(748)	181	801
Children's Services	6,491	(3,962)	(645)	1,884
Resources	2,468	(1,235)	(59)	1,174
<b>Total</b>	<b>68,246</b>	<b>(42,001)</b>	<b>(67)</b>	<b>26,178</b>

Of the slipped projects infrastructure and property schemes account for £35m, and £7m relates to operational facilities where projects are close to completion – e.g., schools and libraries.

## Climate Change

Our Environment and Climate Strategy sets out an ambitious carbon reduction target for the Council's operational emissions. Between 2018/19 and 2025/26, we have committed to reducing our emissions by 50%, as part of our longer-term plan to reduce emissions to net zero by 2050 at the latest.

In our Environment and Climate Strategy, we made a commitment to a science-based carbon reduction trajectory both for the borough and for our own organisational emissions. We have already reported emissions of 3903tonnes/CO<sub>2</sub>e for 2020/21 and will report shortly on 2021/22 emissions once all the data is available. Using a straight-line trajectory between 2018/19 and 2025/26, the Council is currently ahead of target (3903 (actual) vs 3930 (target) tonnes/CO<sub>2</sub> in 2020/21). Initial analysis suggests the Council remains ahead of target for 2021/22.

Looking to the future, individual business cases will continue to be developed that not only help achieve our carbon reduction targets but also generate long term revenue savings for the Borough. These will be assessed on a case-by-case basis to ensure there are robust delivery and funding plans and that the projects represent value for money.

## Treasury Management

We set several key financial indicators which are monitored throughout the year: The performance against the debt limit is shown below.

Debt	2021/22 Maximum	31 March 2022 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied?
Borrowing	£212m	£206m	£280m	£305m	Yes

Our interest rate exposure limit is set to control exposure to interest rate rises by limiting the amount of short-term borrowing that we hold. We complied with this limit as shown below:

Interest Rate Indicator	2021/22 Actual	2021/22 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.38m	£2.25m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.38m	£2.80m	Yes

On 31 March 2022 cash holdings and short-term investments totalled £40.4m compared to £19.4m on 31 March 2021. Higher than usual balances were held at the end of the year due to borrowing being arranged in advanced to fix in favourable rates ahead of anticipated rises in interest rates.

On 31 March 2022, we had the following significant financial obligations (borrowing):

- Borrowing of £206m, comprising
  - £43m of Public Works Loan Board (PWLB) debt.
  - £134m of local authority debt.
  - £13m of LOBO debt.
  - £16m of debt relating to funds held on behalf of the Thames Valley Local Enterprise Partnership and other trusts.

PWLB debt is available to local authorities at a discounted rate. The average rate for 2021/22 was 2.94% (2020/21 0.81%). Our overall average borrowing rate for the year was 1.57% (2020/21 1.63%).

### Medium Term Financial Strategy: 2022/23 to 2026/27

The Medium-Term Financial Strategy outlines the financial risks we face over a five-year period and sets out some principles that we need to continue to follow to manage the financial uncertainty that we face. The immediate challenge remains identification of savings or increased income to bridge the gap to the level of funding received. While there is always room to be more efficient, RBWM is already a low spending council which makes identification of savings more challenging. Future plans will need to focus on transformative measures including increased income and service efficiencies.

A summary of our medium-term financial position, as reported to Cabinet in July 2022, is outlined below and will be used to inform the 2023/24 budget setting process.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated expenditure	103,356	109,959	107,676	110,441	112,336
Estimated funding	(103,356)	(102,654)	(105,855)	(107,474)	(109,152)
<b>Gap between expenditure and funding</b>	<b>-</b>	<b>7,305</b>	<b>1,821</b>	<b>2,967</b>	<b>3,184</b>

### Financial Health of the Council as of 31 March 2022

The Government's unprecedented fiscal response to the Covid-19 pandemic resulted in the council receiving funds in advance of incurring expenditure or paying out grants and providing other financial support to residents and businesses for 2020/21 and 2021/22. This led to increased levels of cashflow balances throughout the year and increased levels of earmarked reserves at the year end. This unusual set of circumstances is clearly only temporary and cashflow patterns and treasury management arrangements should return to normal activity levels during 2022/23.

The pandemic had a varied impact on our planned delivery of the 2021/22 capital investment programme. Some schemes were delayed due to reduced availability of materials and labour, supply chain disruption or enforced access restrictions due to the requirements for socially distanced working.

#### Assets

During 2021/22 fixed assets have increased in value by £3.406m due to the net effect of additions, disposals, revaluations, and depreciation. Fixed assets included in the Balance Sheet at current value are revalued or have indexation adjustments applied sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum are revalued every five years.

This year, as part of the 5-year rolling programme, the schools portfolio has been revalued to reflect depreciated build costs of a modern equivalent asset. This is a significant task compared to last year where a smaller number of properties were revalued. Where an asset has increased in value, the gain has been taken to the revaluation reserve. In some cases, the depreciated replacement cost revaluation has resulted in a decrease in value. These decreases have been reflected in the Surplus/Deficit on provision of services (£24m) where there are insufficient sums to set off against the Revaluation Reserve.

Where assets under construction have come into use, the assets have been revalued. Any capital expenditure not adding value has been written out. For 21/22 this is £13.1m compared to £7.9m last year. Again, these include schools values so as to not to overstate the value of the asset.

This year most investment property values have increased; largely due to property leases that became due for renewal. The larger increase of £9.5m last year was due to investment property revaluations post pandemic. The valuations have continued to rise this year.

### Capital Investment and Borrowing

Our underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council's debt position and represents capital expenditure up to the end of 2021/22 which has not yet been charged to revenue. The process of charging the capital expenditure to revenue is a statutory requirement and is done by means of the Minimum Revenue Provision. The position for 2021/22 is summarised in Table below: -

	At 31 March 2021	At 31 March 2022
	£000	£000
Opening Balance at 1 April	209,307	214,750
Capital Investment	27,163	26,179
Capital Financing	(21,720)	(15,628)
Closing CFR at 31 March	214,750	225,301

The CFR is the Royal Borough's theoretical need to borrow but the actual borrowing position can be managed by either borrowing to the CFR, choosing to use temporary cash flow funds instead of borrowing (internal borrowing), or borrowing for future increases in the CFR (borrowing in advance of need). The Council has currently addressed the theoretical need to borrow by having undertaken external borrowing and credit arrangements of £205.863m. Actual borrowing will only be undertaken as and when required to finance capital and the amount and timing of any loans will have regard to the Council's cash flow, the prevailing interest rates, and the future requirements of the capital investment programme.

During the year £15m of additional long-term borrowing was arranged to reduce exposure to future increases in interest rates. The balance of cash and cash equivalents held at the year-end was £21m higher than at the end of the previous financial year due to borrowing being arranged in advance to fix in loans at favourable rates ahead of expected interest rate rises.

### Reserves and Working Balances

Reserves provide the opportunity for us to be resilient when unexpected events arise, and to plan. 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 March 2021	At 31 March 2022
	£000	£000
Available to fund capital investment (1)	16,414	17,108
Balances held on behalf of schools (2)	2,203	3,003
General fund working balance (3)	7,059	8,753
Earmarked reserves (4)	37,900	38,621
Total Usable Reserves	63,576	67,485



- (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) The general fund working balance is for use against revenue costs. The balance as at the end of 2021/22 included £1.694m underspend from revenue out-turn for 2021/22.
- (3) 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 of 31<sup>st</sup> March 2022 include unspent Covid-19 funding received which will be used to fund liabilities in 2022/23. The Royal Borough used £3.17m of earmarked reserves during 2021/22.

## Pensions

The Council participates in the Local Government Pension Scheme administered by The Royal County of Berkshire Pension Fund. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level to balance the pension liabilities against investment assets. The fund is subject to a valuation every three years. The 31 March 2019 valuation set the contribution rates from 2020/21 to 2022/23.

There is currently a net liability on the Local Government Pension Scheme at 31 March 2022 of £294.335m (31 March 2021: £334.556m). The improvement of £40.221m has arisen from a reduction in the present value of the obligation of £14.391m and an increase in the scheme assets of £25.830m. Whilst the net liability is substantial, it should be noted that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement and of future expected investment performance.
- There is a recovery plan in place to return the pension fund to a balanced position by 31 March 2040.
- It is not unique to the Council as this is in common with the national pension position for pension funds. For additional information see note 39 in the Statement of Accounts 2021/22.

## Looking Ahead

We are facing a significant financial challenge. Like many councils, we are experiencing growth in demand for services. However, the position for the Royal Borough is more acute than other councils, due to our 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 we face.

The Local Government Funding Settlement for 2022/23 was again a one-year roll forward. The delayed multi-year Comprehensive Spending Review is now planned for Autumn 2022 and will be critical in the overall funding available to the sector. 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 2023/24.

The implications of all the changes to Government funding and distribution, whenever they are introduced, are not clear. The impact on the Royal Borough 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 2022/23. 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 pandemic has also focussed 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 yet to take place, and the financial impact of the change is not yet apparent.

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 several 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 to respond to.

Future risks include:

- The impact of inflation and interest rates and the impact that has on our services and residents.
- The Adult Social Care Reforms due to be implemented in October 2023 which will have a significant impact on all local authorities. It is likely to require a significant increase to the workforce nationally, and there will be additional costs through increased care costs and reduced contributions from recipients of care.
- Increasing numbers and complexity of people supported in both Children's and Adult Social Care.
- Council reserves have been strengthened but remain low. They are assessed as adequate to cover any immediate risks but as they are low there remains a risk from unforeseen events.
- 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 our 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 we need to make when determining how to utilise our 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.
- Continued pressure in the ring-fenced school budget, particularly due to high need pupils. The school deficit is carried on the Council's balance sheet and has grown in recent years.

If the ringfence on this deficit is removed, it would be a significant detriment to the Council's finances.

- Recovery from the pandemic is ongoing. Whilst it is clear that services are recovering, for example through increased use of leisure services and footfall in town centres, it is too early to say they are back to pre-pandemic levels. Most government financial support for the impact of the pandemic has now ended.

As part of the annual budget setting process Council agreed its 2022/23 budget in February 2022. This budget includes consideration of the risks above, our 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 £103,356m after the use of £2.14m of reserves
- Council Tax increases of 1.99% increasing the band D charge to £1,164.99 from £1,131.17
- New savings of £3.396m to be delivered by 31 March 2023.

We have undertaken significant work in 2021/22 to deliver on the changes we will need to make going forward to ensure we can be financially sustainable and continue to provide high quality services and promote a buoyant and diverse economy. This work will continue into 2022/23. We will also continue to work with DLUHC and the wider sector on the Covid-19 financial impacts.

## **An introduction to the 2021/22 Statement of Accounts**

The Statement of Accounts which follows set out in more detail our income and expenditure for the year, and our financial position on 31 March 2022. The Statement also explains how statutory requirements such as financing capital expenditure have been complied with.

The council has a wholly owned trading subsidiary, RBWM Property Company Ltd. For the 2021/22 financial statements, 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 of the council'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 our 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 our assets, liabilities, cash balances and reserves at year-end.

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

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



**Adele Taylor FCPFA Executive Director of Resources and Section 151 Officer**  
 Date: 29 July 2022

# Statement of Responsibilities

## The Royal Borough's Responsibilities

The Royal Borough is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2016 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Financial Statements is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Royal Borough is also required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Executive Director of Resources and Section 151 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.

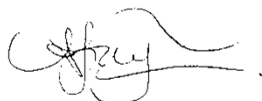
## The responsibilities of the Executive Director of Resources

The Executive Director of Resources 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 2022 and of its income and expenditure for the year then ended.



**Adele Taylor**  
Executive Director of Resources and Section 151 Officer  
29 July 2022

# MAIN FINANCIAL STATEMENTS

## Comprehensive Income and Expenditure Statement (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation.

2020/21			Note	2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
80,141	(37,906)	42,235	Adults, Health & Housing	78,711	(39,240)	39,471
4,551	(6,157)	(1,606)	Chief Executive	3,218	(4,823)	(1,605)
115,541	(86,710)	28,831	Children's Services	119,616	(92,197)	27,419
550	-	550	Contingency & Corporate	196	(148)	48
3,837	(801)	3,036	Governance, Law and Strategy	4,834	(1,495)	3,339
45,888	(18,981)	26,907	Place	47,320	(18,800)	28,520
51,599	(41,154)	10,445	Resources	50,059	(39,030)	11,029
-	-	-	Revaluation movement on Assets	20,212	-	20,212
			5			
<b>302,107</b>	<b>(191,709)</b>	<b>110,398</b>	<b>Total Cost of Services</b>	<b>324,166</b>	<b>(195,733)</b>	<b>128,433</b>
		1,750	Other Operating Expenditure			11,420
		17,848	Financing and Investment Income and Expenditure			13,156
		(127,394)	Taxation and Non-specific Grant Income			(111,920)
		<b>2,602</b>	<b>Deficit on Provision of Services</b>			<b>41,089</b>
			<b>Other Comprehensive Income and Expenditure</b>			
		5,526	Deficit/(Surplus) on revaluation of Property, Plant and Equipment			(24,687)
		75,252	Remeasurement of the net defined benefit liability/(asset)	38		(52,295)
		<b>80,778</b>	<b>Total Other Comprehensive Expenditure/(Income)</b>			<b>(76,982)</b>
		<b>83,380</b>	<b>Total Comprehensive Expenditure/(Income)</b>			<b>(35,893)</b>

## Movement in Reserves Statement

This Statement shows the movement in the year in the different reserves held by the Royal Borough, analysed into 'usable reserves', that is those that can be applied to fund expenditure or reduce local taxation, and other reserves.

2020/21	Total General Fund Reserves	Schools Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	(14,879)	(437)	(551)	(7,032)	(22,899)	(154,637)	(177,536)
Adjustment to Opening Balance	-	(1,025)	-	-	(1,025)	1,025	-
Restated Balance as at 1 April 2020	(14,879)	(1,462)	(551)	(7,032)	(23,924)	(153,612)	(177,536)
<b>Movement in Reserves during 2020/21</b>							
Total Comprehensive Income and Expenditure	2,601	-	-	-	2,601	80,778	83,379
Adjustments between accounting basis and funding basis under regulations	(33,422)	-	(798)	(8,033)	(42,253)	42,253	-
Net Increase/Decrease before transfer to School Revenue Balances	(30,821)	-	(798)	(8,033)	(39,652)	123,031	83,379
Transfers to/from School Revenue Balances	741	(741)	-	-	-	-	-
(Increase)/Decrease in 2020/21	(30,080)	(741)	(798)	(8,033)	(39,652)	123,031	83,379
<b>Balance at 31 March 2021</b>	<b>(44,959)</b>	<b>(2,203)</b>	<b>(1,349)</b>	<b>(15,065)</b>	<b>(63,576)</b>	<b>(30,581)</b>	<b>(94,157)</b>

2021/22	Total General Fund Reserves	Schools Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>(44,959)</b>	<b>(2,203)</b>	<b>(1,349)</b>	<b>(15,065)</b>	<b>(63,576)</b>	<b>(30,581)</b>	<b>(94,157)</b>
Adjustment to Opening Balance	-	-	-	-	-	-	-
<b>Restated Balance as at 1 April 2021</b>	<b>(44,959)</b>	<b>(2,203)</b>	<b>(1,349)</b>	<b>(15,065)</b>	<b>(63,576)</b>	<b>(30,581)</b>	<b>(94,157)</b>
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Income and Expenditure	41,089	-	-	-	41,089	(76,982)	(35,893)
Adjustments between accounting basis and funding basis under regulations	(44,303)	-	(2,087)	1,392	(44,998)	44,998	-
Net Increase/Decrease before transfer to School Revenue Balances	(3,214)	-	(2,087)	1,392	(3,909)	(31,984)	(35,893)
Transfers to/from School Revenue Balances	800	(800)	-	-	-	-	-
(Increase)/Decrease in 2021/22	(2,414)	(800)	(2,087)	1,392	(3,909)	(31,984)	(35,893)
<b>Balance at 31 March 2022</b>	<b>(47,373)</b>	<b>(3,003)</b>	<b>(3,436)</b>	<b>(13,673)</b>	<b>(67,485)</b>	<b>(62,565)</b>	<b>(130,050)</b>

## Balance Sheet

The Balance Sheet shows the value, at the Balance Sheet date, of the assets and liabilities recognised by the Royal Borough.

31 March 2021 £000		Note	31 March 2022 £000
525,024	Property, Plant & Equipment	17	528,430
-	Heritage Assets	18	-
94,316	Investment Property	19	91,225
1,232	Intangible Assets	20	962
1,626	Long Term Investments	35	1,395
<b>622,198</b>	<b>Long Term Assets</b>		<b>622,012</b>
8,944	Short Term Investments	35	7,896
70,083	Short Term Debtors	23	74,099
11,909	Cash and Cash Equivalents	24	32,982
<b>90,936</b>	<b>Current Assets</b>		<b>114,977</b>
-	Bank Overdraft	24	(659)
(135,635)	Short Term Borrowings	35	(135,330)
(75,333)	Short Term Creditors	25	(87,931)
-	Short Term Provisions	26	(2,326)
<b>(210,968)</b>	<b>Current Liabilities</b>		<b>(225,587)</b>
(188)	Long Term Creditors	35	(179)
(7,791)	Long Term Provisions	26	(5,053)
(56,265)	Long Term Borrowing	35	(71,265)
(334,556)	Pension Liabilities	38	(294,335)
(9,209)	Grant Receipts in Advance		(9,861)
<b>(408,009)</b>	<b>Long Term Liabilities</b>		<b>(380,693)</b>
<b>94,157</b>	<b>Net Assets</b>		<b>130,050</b>
(63,576)	Usable Reserves	10	(67,485)
(30,581)	Unusable Reserves	11	(62,565)
<b>(94,157)</b>	<b>Total Reserves</b>		<b>(130,050)</b>



## Cashflow Statement

The Cashflow Statement shows the changes in cash and cash equivalents of the Royal Borough during the reporting period.

31 March 2021 £000		Notes	31 March 2022 £000
(2,595)	Net (deficit) on the provision of services		(41,089)
29,802	Adjustment to surplus or deficit on the provision of services for noncash movements	28	62,873
(18,153)	Adjust for items included in the net surplus or deficit on the provision of services that are investment and financing activities	28	(13,003)
<b>9,054</b>	<b>Net Cash flows from Operating Activities</b>		<b>8,781</b>
(5,616)	Net Cash flows from Investing Activities	29	(7,211)
849	Net Cash flows from Financing Activities	30	18,844
<b>4,287</b>	<b>Net increase in cash and cash equivalents</b>		<b>20,414</b>
7,622	Cash and cash equivalents at the beginning of the period	24	11,909
11,909	Cash and cash equivalents at the end of the reporting period		32,323

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## Notes to the Accounts

### Note 1 Accounting Policies

#### 1 General Principles

The statement of accounts summarises the Royal Borough's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Royal Borough is required to prepare an annual statement of accounts 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 2021/22 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

*Due to the Coronavirus pandemic, the Accounts and Audit (Amendment) Regulations 2021 were passed to amend the dates by which the Statement of Accounts must be approved and published. The draft statement must be approved by the s151 officer by 31 July 2022, and the audited statement must be approved by those charged with governance by 30 September 2022.*

The Statement of Accounts have been produced on a going concern basis; this assumes that the Royal Borough's functions and services will continue in operational existence for the foreseeable future.

#### 2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Royal Borough 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 Royal Borough.
- Revenue from the provision of services is recognised when the Royal Borough 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 Royal Borough.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue (which includes council tax and rates income) 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.

#### 3 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 Royal Borough's cash management.

## Notes to the Accounts

### 4 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 (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Royal Borough's financial performance.

### 5 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 Royal Borough'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.

### 6 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 & equipment's 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 Royal Borough is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Royal Borough in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution of MRP (Minimum Revenue Provision) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g., s.106 and community infrastructure levy) revenue contributions, earmarked reserves, or capital receipts.

Having regard to current Guidance on MRP issued by MHCLG and the "options" outlined in that Guidance and to even out the financing costs of assets over their anticipated life, on 3<sup>rd</sup> December 2019 Full Council approved the following MRP Statement to take effect from 1 April 2019:

- for all capital expenditure, MRP will be based on expected useful asset lives (Option 3 – asset life), calculated using the annuity method

## Notes to the Accounts

In applying 'Option 3':

- MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational;
- the estimated useful lives of assets used to calculate MRP should not exceed a maximum of 50 years except as otherwise permitted by the guidance (and supported by valuer's advice);
- if no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life should be taken to be a maximum of 50 years.

### 7 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 some non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Royal Borough.

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 Royal Borough to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the non-distributed costs line in the Comprehensive Income and Expenditure Statement (CIES) when the Royal Borough 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 Royal Borough 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 (MiRS, 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 Royal Borough 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 Royal Borough.

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

## Notes to the Accounts

service line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

- The liabilities of the Berkshire pension fund attributable to the Royal Borough 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 Royal Borough 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

### Accounting for Pensions

The change in the net pensions' liability is analysed into the following components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-distributable Costs.
- **Net Interest on the defined liability (asset)** – i.e., net interest expense for the Royal Borough – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements** comprising:
  - **The return on plan assets** – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve.
  - **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 – charged to the Pensions Reserve.
- **Contributions paid to the Berkshire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the GF balance to be charged with the amount payable by the Royal Borough to the pension fund or directly to pensioners

## Notes to the Accounts

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

### Discretionary Benefits

The Royal Borough 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 accounting policies as are applied to the Local Government Pension Scheme. Short-term employee benefits are those due to be settled within 12 months of the year-end.

### 8 Events after the balance sheet date

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

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

## 9 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Royal Borough 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 CIES 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 Royal Borough has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES 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 Royal Borough 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

## Notes to the Accounts

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 other comprehensive income (FVOCI),
- fair value through profit or loss (FVPL).

### **Financial Assets measured at amortised cost**

Financial assets are measured at amortised cost when the associated cashflows are solely payments of principal and interest and it is intended to hold the assets until maturity. These are recognised on the Balance Sheet when the Royal Borough 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 Royal Borough, 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.

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

Financial assets are measured at FVOCI when the associated cashflows are solely payments of principal and interest and it is intended to collect those cashflows and sell the asset. Any gains and losses that arise on such assets are credited or debited to the Other Comprehensive Income line in the Comprehensive Income and Expenditure Statement.

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

If a financial asset does not meet the criteria to be measured at amortised cost or FVOCI it will be measured at Fair Value through Profit or Loss. They are recognised on the Balance Sheet when the Royal Borough 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.

### **Expected Credit Loss Model**

The Royal Borough recognises expected credit losses on all 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 Royal Borough. 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 on the basis of 12-month expected losses.

### **Fair Value Measurement**

The Royal Borough measures some of its financial instruments such as borrowings at fair value at each reporting date. Fair value is the price that would be received to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to transfer the liability takes place either:

- a) In the principal market for the liability, or



## Notes to the Accounts

b) In the absence of a principal market, in the most advantageous market for the liability.

The Royal Borough measures the fair value of the liability using the assumptions that market participants would use when pricing the liability, assuming the market participants act in their economic best interest.

The Royal Borough uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable outputs.

Inputs to the valuation techniques in respect of liabilities for which fair value is measured or disclosed in the Royal Borough's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical liabilities that the Royal Borough can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the liability, either directly or indirectly
- Level 3 – unobservable inputs for the liability.

### Investments

The CIPFA Code of Practice for Treasury Management in Local Authorities, which governs the way in which surplus cash is invested, has been adopted. The Royal Borough's surplus cash is invested with other local authorities, approved banks and building societies, as authorised in the Royal Borough's Treasury Management Strategy.

Investments that mature in no more than three months from the date of acquisition, and that are readily convertible to known amounts with insignificant risk of a change in value, are categorised as cash equivalents in the financial statements.

### 10 Foreign Currency Translation

Where the Royal Borough 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.

### 11 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 Royal Borough when there is reasonable assurance that:

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

Amounts recognised as due to the Royal Borough are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 CIES. Where capital grants are credited to the CIES, they are reversed out of the GF balance in the movement in reserves statement.

## Notes to the Accounts

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 12 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental, and historical associations. They include historical buildings, civic regalia, orders, and decorations (medals), military equipment of scientific interest, and works of art. Authorities are required to account for tangible heritage assets in accordance with FRS 102 s34.

Heritage assets are recognised and measured in accordance with the Royal Borough's policies on Property Plant and Equipment. However, where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet.

Tangible and intangible assets described in this summary of significant accounting policies as heritage assets. The Royal Borough'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 Royal Borough 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.

### 13 Intangible Assets

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

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 Royal Borough 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 Royal Borough'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 Royal Borough can be determined by reference to an active market. In practice, no intangible asset held by the Royal Borough meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful

## Notes to the Accounts

life to the relevant service line(s) in the CIES. 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 CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES. 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).

### 14 Inventories and Long-Term Contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value. On a first in first out basis. Obsolescent inventory is written off during the year.

### 15 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 CIES. 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.

### 16 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Royal Borough 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 Royal Borough recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES 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 Royal Borough 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 Royal Borough 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.

### 17 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 Royal Borough as Lessee

## Notes to the Accounts

### 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 Royal Borough 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 CIES).

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 Royal Borough at the end of the lease period). The Royal Borough 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 lease

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid are charged to the relevant service line in the CIES on a straight-line basis over the term of the lease, generally meaning rentals are charged when they become payable.

### 18 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.

### 19 Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Royal Borough 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.

The de minimis level for Property Plant and Equipment is £20,000

### Measurement

Property Plant and Equipment is valued on the bases recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal

## Notes to the Accounts

Institution of Chartered Surveyors (RICS). Operational properties and other operational assets are carried in the Balance Sheet using the following measurement bases:

- Depreciated Replacement Cost (DRC) for specialised properties
- Open Market Value (OMV) for non-specialised properties.

There are no holdings of non-operational assets or community assets.

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 Royal Borough). 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 Royal Borough. 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 CIES, 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 CIES, they are reversed out of the GF balance to the CAA in the movement in reserves statement.

The current value of land and buildings is determined by appraisal of appropriate evidence, that is normally undertaken by professionally qualified valuers, who:

- Hold a recognised and relevant professional qualification
- Have sufficient current local and national knowledge of the market, and
- Have the skills and understanding to undertake the valuations competently.

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 CIES 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 CIES.

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

## Notes to the Accounts

### 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 CIES.

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the CAA.

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

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

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.

## Notes to the Accounts

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 Royal Borough'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 & equipments 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.

### **20 Provisions, Contingent Liabilities and Contingent Assets Provisions**

Provisions are made where an event has taken place that gives the Royal Borough 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 Royal Borough 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 CIES in the year that the Royal Borough 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 Royal Borough settles the obligation.

### **Council Tax and Non-Domestic Rates (NDR)**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Royal Borough's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Royal Borough's GF. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the GF is taken to the Council Tax Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Royal Borough'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.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Royal Borough 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 Royal Borough. 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.

## Notes to the Accounts

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the financial statements.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Royal Borough 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 Royal Borough. 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.

### 21 Reserves

The Royal Borough 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 CIES. 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 managing the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Royal Borough, these reserves are explained in the relevant policies. The reserves held by the Royal Borough are detailed under notes on Usable and un-useable reserves.

### 22 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 CIES in the year. Where the Royal Borough 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.

### 23 Fair Value

The Royal Borough 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 Royal Borough 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 Royal Borough 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 Royal Borough uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns.



## Notes to the Accounts

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.

### **24 VAT**

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid recoverable from it. VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs.

### **25 Interests in Companies and Other Entities**

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

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

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

### **26 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.

### **Note 2 Accounting Standards Issued, Not yet Adopted**

The Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

Several accounting changes are being adopted by the Code in 2021/22, but it is not expected that any of them will have a material impact on the Council'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 Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year, but the Code now allows local authorities to defer implementing the requirements of the standard until the 2024/25 financial year although allowing earlier implementation if a local authority wishes to. The Council has opted not to implement the standard in the financial year 2021/22 and 2022/23.

### **Note 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.

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

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

#### **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

## Notes to the Accounts

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 2018/19 the Council's actuaries advised that the net pension liability had decreased by £11m to £282m.

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 £10.2m. 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 the pension increases and deferred revaluation assumption would increase the pension liability by £9.6m.

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

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

### Note 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. The schools' portfolio has been revalued in 2021/22 as part of the programme and valued on a depreciated replacement cost basis reflecting build costs of a modern equivalent asset. 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 valuation of schools in 2021/22 has recognised a decrease in value of £20.212m that is reported through the Surplus/Deficit on the Provision of Services.

### Note 6 Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Resources and section 151 officer on the 29 July 2022. Events taking place up to the date of signing the final audited financial statements are reflected in the financial statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2022 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No further events have occurred which need to be reported here.

## Notes to the Accounts

### Note 7 Expenditure and Funding Analysis

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

2020/21			2021/22			
Net Exp. Chargeable to general Fund	Adjustments between funding & accounting (Note 9) basis	Net Exp. In CI&ES		Net Exp. Chargeable to general Fund	Adjustments between funding & accounting (Note 9) basis	Net Exp. In CI&ES
£000	£000	£000		£000	£000	£000
40,372	1,045	41,417	Adults, Comm. & Health	38,643	2,064	40,707
26,681	2,165	28,846	Children's Services	26,255	1,164	27,420
2,737	299	3,036	Governance Law & Strat'	3,195	347	3,542
(2,156)	550	(1,606)	Managing Director	(10)	43	32
17,368	9,803	27,171	Place	18,289	12,437	30,726
8,350	2,537	10,887	Resources	26,766	5,351	32,117
640	-	640	Contingency & Corporate	(319)	367	48
<b>93,992</b>	<b>16,399</b>	<b>110,391</b>	<b>Full Cost of Services</b>	<b>112,819</b>	<b>21,773</b>	<b>134,592</b>
(122,897)	15,101	(107,796)	Other (Income) / Expenditure	(116,034)	22,531	(93,503)
30,077	(30,077)	-	Transfer to/from Earmarked Reserves	1,520	(1,520)	-
<b>1,172</b>	<b>1,423</b>	<b>2,595</b>	<b>(Surplus)/Deficit on Service Provision</b>	<b>(1,695)</b>	<b>42,784</b>	<b>41,089</b>
(8,231)			Gen.Fund balance B/F	(7,059)		
1,172			Less deficit / (surplus) on GF in-year balance	(1,695)		
<b>(7,059)</b>			<b>Closing Gen. Fund</b>	<b>(8,754)</b>		

## Notes to the Accounts

Adjustments between Funding and Accounting Basis 2021/22				
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 A98	Total Adjustments
	£000	£000	£000	£000
Adults, Health & Commissioning	1,263	728	73	2,064
Children's Services	410	-	755	1,164
Governance, Law & Strategy	62	246	40	347
Managing Director	-	43	(1)	43
Place	11,253	1,073	110	12,437
Resources	3,518	1,743	91	5,351
Contingency & Corporate	-	367	-	367
<b>Net Cost of Services</b>	<b>16,506</b>	<b>4,199</b>	<b>1,068</b>	<b>21,773</b>
Other (income) and expenditure from the Expenditure and Funding Analysis	17,370	7,036	(1,875)	22,531
Transfers to/from Earmarked Reserves (Note 10)	-	-	(1,520)	(1,520)
<b>Difference between Gen. Fund surplus or deficit &amp; CI&amp;E Statement Surplus or Deficit on the Provision of Services</b>	<b>33,876</b>	<b>11,235</b>	<b>(2,327)</b>	<b>42,784</b>

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	(2)	1,045
Children's Services	2,226	14	(75)	2,165
Governance, Law & Strategy	4	295	-	299
Managing Director	432	97	21	550
Place	8,605	1,174	24	9,803
Resources	830	1,751	(44)	2,537
<b>Net Cost of Services</b>	<b>12,414</b>	<b>4,061</b>	<b>(76)</b>	<b>16,399</b>
Other (income) and expenditure from the Expenditure and Funding Analysis	(15,592)	2,477	28,216	15,101
Transfers to/from Earmarked Reserves (Note 10)	-	-	(30,077)	(30,077)
<b>Difference between Gen. Fund surplus or deficit &amp; CI&amp;E Statement Surplus or Deficit on the Provision of Services</b>	<b>(3,178)</b>	<b>6,538</b>	<b>(1,937)</b>	<b>1,423</b>

## Notes to the Accounts

### 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 CIES and amounts payable/receivable to be recognised under statute are as follows:

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

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

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

## Notes to the Accounts

### Note 8 Expenditure and Income analysed by Nature

This analysis provides detail of the expenditure and income of the Council on a subjective basis.

	2020/21 £000	2021/22 £000
<b>Expenditure</b>		
Employee Benefits expenses	68,776	72,100
Other service expenses	217,322	217,033
Depreciation, Amortisation, and impairment	12,413	32,799
Revenue Expenditure funded from Capital under Statute	3,597	2,234
Interest Payments	3,361	3,055
Net Interest on the net defined benefit liability	5,601	7,036
Movement in the value of Financial Assets	-	226
Movement in the value of Investment Properties	9,580	3,092
Precepts and Levies	1,796	1,818
Net Loss on the Disposal of Assets	-	9,603
<b>Total Expenditure</b>	<b>322,446</b>	<b>348,996</b>
<b>Income</b>		
Fees, Charges, and other service income	(191,711)	(195,734)
Interest and Investment Income	(694)	(253)
Income from Council Tax & Business Rates	(46,129)	(49,579)
Government Grants & Contributions	(81,265)	(62,341)
Net Gain on Disposal of Assets	(46)	-
<b>Total Income</b>	<b>(319,845)</b>	<b>(307,907)</b>
<b>Deficit on the Provision of Services</b>	<b>2,601</b>	<b>41,089</b>

## Notes to the Accounts

### Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2021/22	£000	General Fund Balance	£000	Capital Receipts Reserve	£000	Capital Grants Unapplied
<b>Adjustments to Revenue Resources</b>						
<b>Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pension costs (transferred to/from the Pensions Reserve)	(12,074)		-		-	
Council Tax and NDR (transfers to/from the Collection Fund)	3,818		-		-	
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(1,068)		-		-	
Dedicated Schools Grant (transferred to/from the Dedicated Schools Grant Reserve)	(256)		-		-	
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(41,133)		-		(4,759)	
<b>Total Adjustments to Revenue Resources</b>	<b>(50,713)</b>		<b>-</b>		<b>(4,759)</b>	
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,090		(3,090)		-	
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,920		-		-	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	400		-		-	
Other Adjustment	-		-		-	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,410</b>		<b>(3,090)</b>		<b>-</b>	
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-		1,003		-	
Application of capital grants to finance capital expenditure	-		-		6,151	
<b>Total Adjustments to Capital Resources</b>	<b>-</b>		<b>1,003.00</b>		<b>6,151.00</b>	
<b>Total Adjustments</b>	<b>(44,303)</b>		<b>(2,087)</b>		<b>1,392</b>	



## Notes to the Accounts

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>			
<b>Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>			
Pension costs (transferred to/from the Pensions Reserve)	(6,537)	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	(28,216)	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	76	-	-
Dedicated Schools Grant (transferred to/from the Dedicated Schools Grant Reserve)	(765)	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,468)	-	(8,912)
<b>Total Adjustments to Revenue Resources</b>	<b>(36,910)</b>	<b>-</b>	<b>(8,912)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,278	(1,278)	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,210	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,488</b>	<b>(1,278)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	480	-
Application of capital grants to finance capital expenditure	-	-	879
<b>Total Adjustments to Capital Resources</b>	<b>0.00</b>	<b>480.00</b>	<b>879.00</b>
<b>Total Adjustments</b>	<b>(33,422)</b>	<b>(798)</b>	<b>(8,033)</b>

## Notes to the Accounts

### Note 10 Usable Reserves

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

	Balance at 31 March 2021 £000	Transfer s In £000	Transfer s Out £000	Balance at 31 March 2022 £000
General Fund Balance	7,059	1,694	-	8,753
<b>Earmarked Reserves</b>				
Insurance Reserve	901	-	-	901
Business Rates Volatility Reserve	4,167	60	(1,033)	3,194
Better Care Fund	1,281	2,119	-	3,400
Public Health Fund	511	77	-	588
Optalis Development Reserve	381	-	-	381
Brexit Reserve	299	-	(299)	-
Business Rates Section 31 Grant Reserve	19,154	5,077	(1,178)	23,053
Covid-19 General Reserve	4,380	934	(3,170)	2,144
Collection Fund Compensation Reserve	5,883	-	(5,883)	-
Property Reserve	600	-	(100)	500
Grant Funded Future Commitments Reserve	-	2,928	-	2,928
Sensory Consortium Service	-	245	-	245
Schools Forum	-	547	-	547
Community Infrastructure Levy - Revenue Reserve	-	329	-	329
Other Reserves	343	540	(473)	410
<b>Total Earmarked Reserves</b>	<b>37,900</b>	<b>12,856</b>	<b>(12,136)</b>	<b>38,620</b>
<b>School Balances</b>	<b>2,203</b>	<b>1,216</b>	<b>(416)</b>	<b>3,003</b>
<b>Capital Reserves</b>				
Capital Receipts	1,349	2,087	-	3,436
Capital Grants	3,318	2,945	(1,303)	4,960
Community Infrastructure Levy	11,747	1,814	(4,848)	8,713
<b>Total Capital Reserves</b>	<b>16,414</b>	<b>6,846</b>	<b>(6,151)</b>	<b>17,109</b>
<b>Total Usable Reserves</b>	<b>63,576</b>	<b>22,612</b>	<b>(18,703)</b>	<b>67,485</b>

Details of the Earmarked Reserves that have been set aside by the Council are set out below.

#### Insurance Reserve

Due to its high policy excesses the Royal Borough undertakes self-insurance. It, therefore, maintains an internal insurance reserve to cover self-insured claims. The reserve meets most claims for financial losses or damage to the Royal Borough assets and third party/employee compensation claims for injury, loss or damage to personal property caused by the Royal Borough's negligence. Part of the reserve relates to reported outstanding claims and part is held against the modelled expectation of emerging future claims. Claims of around £591kk are currently outstanding (as at 31st March 2022).

## Notes to the Accounts

The next bi-annual actuarial review is scheduled to be complete by September 2022. Depending on the outcome the fund may be adjusted in future years.

### **Business Rates Volatility Reserve**

The reserve contains surpluses from previous years 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. The Section 75 agreement states that should RBWM use net underspends in this way, then it must contribute an equivalent sum into the BCF in future.

### **Public Health Fund**

This reserve holds government grant that is ringfenced for use on services that impact on public health.

### **Optalis Development Reserve**

Funds set aside for the business development of Optalis Ltd.

### **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. This reserve has been fully utilised in 2021/22.

### **Business Rates Section 31 Grant Reserve**

As a result of the Covid-19 pandemic DLUHC provided additional Section 31 to the billing authorities to compensate for the losses arising from reliefs for the retail discount granted to businesses. This relief is held in earmarked reserves to off-set current losses in 2022/23.

### **Covid-19 General Reserve**

This reserve is held to cover potential Covid-19 costs

### **Collection Fund Compensation Reserve**

The Royal Borough was compensated by DLUHC for both council tax and business rates losses as a result of the Covid-19 pandemic for loss of income in 2020/21 and 2021/22. This has been utilised in 2021/22 to off-set part Collection fund 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.

### **Grant funded future commitments reserve**

This reserve holds government grants received for specific purposes, but which were not ringfenced, and for which the relevant expenditure is expected in future years. As the grants are not ringfenced they are accounted for immediately and unused balances transferred to the reserve at the year end.

### **Sensory Consortium Service**

Funds set aside in respect of a Berkshire joint arrangement for specialist education support.

## Notes to the Accounts

### Schools Forum

Funding passed back (de-delegated) for schools services with Schools Forum approval.

### Community Infrastructure Levy – Revenue Reserve

The Community Infrastructure Levy must be applied to fund infrastructure to support the development of the area in accordance with the CIL Regulations 2010. In line with the regulations, local authorities are allowed to use the levy to meet an element of its administration costs in administering the levy and also use the levy to fund projects that do not meet capital criteria, for example, on maintenance of schemes.

### School Revenue Balances

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

### Capital Receipts

Capital receipts arise from the income received from the disposal of capital assets. The use of capital receipts is governed by statute which require that they are used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed for by statute.

### Capital Grants

Capital grants not used in the year of receipt and for which the conditions on the use of the grant is expected to be met or for which there are no conditions, are appropriated to the Capital Grants Unapplied Account and released to meet future years' capital expenditure.

### Other Reserves

The Royal Borough has a number of small reserves which include:

- Capital Reserve
- Grave Maintenance Fund
- Nature Reserve Maintenance Fund
- Old Court Maintenance Reserve
- Safeguarding Reserve
- Building Control Reserve
- Arts Funding Reserve

## Notes to the Accounts

### Note 11 Unusable Reserves

Unusable reserves are those that have arisen as a result of accounting adjustments and are, therefore, not available to spend. The table below shows the total unusable reserves at the year end.

31 March 2021		31 March 2022
£000		£000
(196,307)	Capital Adjustment Account	(171,166)
(208,342)	Revaluation Reserve	(222,751)
334,556	Pension Reserve	294,335
1,791	Dedicated Schools Grant	2,047
1,860	Accumulated Absences Account	2,927
35,861	Collection Fund Adjustment Account	32,043
<b>(30,581)</b>	<b>Total Unusable Reserves</b>	<b>(62,565)</b>

#### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Notes to the Accounts

2020/21			2021/22	
£000	£000		£000	£000
	(192,011)	<b>Opening Balance</b>		(196,307)
		Adjustment to Opening Balance		
	(192,011)	<b>Restated Opening Balance</b>		(196,307)
		<b>Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
11,859		Charges for depreciation and impairment of non-current assets	12,587	
5,646		Revaluation and impairment loss: Property, Plant & Equipment	20,212	
554		Amortisation of Intangible Assets	-	
10,053		Changes in the Fair Value of Investment Properties	3,092	
-		Changes in the Fair Value of Financial Instruments	226	
3,597		Revenue Expenditure funded from Capital under Statute	2,238	
1,233		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,692	
	32,942			51,047
	(12,263)	Adjusting Amounts written out of the Revaluation Reserve		(10,277)
	20,679	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		40,770
		<b>Capital financing applied in the year</b>		
(480)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,003)	
(17,546)		Capital Grants & Contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(5,155)	
(1,129)		Application of grants to capital financing from the Capital Grants Unapplied Account	(6,151)	
(2,210)		Provision for the financing of capital investment charged against the General Fund & HRA	(2,920)	
(355)		Capital Expenditure Charged against the General Fund	(400)	
(3,255)		Asset under Construction (AuC) derecognition and other adjustments	-	
	(24,975)			(15,629)
	(196,307)	<b>Closing Balance</b>		(171,166)

## Notes to the Accounts

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2020/21			2021/22	
£000	£000		£000	£000
	(224,972)	Opening Balance		(208,342)
(12,674)		Upward Revaluation of assets	(70,059)	
17,040		Downward Revaluation and impairment of assets	45,373	
	4,366	Deficit / (Surplus) on the revaluation of non-current assets		(24,686)
3,317		Difference between fair value depreciation and historical cost depreciation	10,277	
8,947		Amounts written off to the Capital Adjustment Account	-	
	12,264	Total amount written off to the Capital Adjustment Account		10,277
	(208,342)	Balance at 31 March		(222,751)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for postemployment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for postemployment 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.

## Notes to the Accounts

2020/21 £000		2021/22 £000
<b>252,767</b>	<b>Balance at 1 April</b>	<b>334,556</b>
75,252	Re-measurement of the net defined liability	(52,295)
17,478	Reversal of items relating to retirement benefits credited to the Deficit on Provision of Services in the CIES	22,981
(10,941)	Employer's pension contributions and direct payments to pensioners payable in the year	(10,907)
<b>334,556</b>	<b>Balance at 31 March</b>	<b>294,335</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax /NNDR income in the CIES 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

2020/21 £000		2021/22 £000
54	Balance at 1 April	397
343	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	1,129
<b>397</b>	<b>Balance as at 31 March</b>	<b>1,526</b>

#### Collection Fund - Business Rates

2020/21 £000		2021/22 £000
7,592	Balance at 1 April	35,464
27,872	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	(4,947)
<b>35,464</b>	<b>Balance as at 31 March</b>	<b>30,517</b>



## Notes to the Accounts

### Accumulated Absences Account

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

2020/21		2021/22
£000		£000
1,934	Balance at 1 April	1,858
(1,934)	Settlement or cancellation of accrual made at the end of the preceding year	(1,858)
1,860	Amounts accrued at the end of the current year	2,927
<b>1,860</b>		<b>2,927</b>

### Dedicated Schools Grant Reserve

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

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

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

2020/21		2021/22
£000		£000
-	Balance at 1 April	1,791
1,025	Adjustment to Opening Balance	-
<b>1,025</b>	<b>Restated Opening Balance</b>	<b>1,791</b>
765	In Year DSG Overspend	256
<b>1,791</b>	<b>Balance at 31 March</b>	<b>2,047</b>

## Notes to the Accounts

### Note 12 Other Operating Expenditure

Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below.

The Loss on the disposal of non-current assets recognises the difference between the receipt for the sale of a non-current asset and the carrying value of that asset within the accounts, which may not be the same as the market value or the historical cost of that asset.

2020/21 £000	Other Operating Expenditure	2021/22 £000
1,639	Parish Council Precepts	1,655
157	Levies (Environment Agency)	162
(46)	(Gains)/Losses on the disposal of non-current assets	9,603
<b>1,750</b>	<b>Total Other Operating Expenditure</b>	<b>11,420</b>

### Note 13 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the CIES is detailed below.

2020/21 £000	Financing and Investment Income and Expenditure	2021/22 £000
3,361	Interest Payable and similar charges	3,055
5,601	Net interest on the net defined benefit liability	7,036
(484)	Interest Receivable and similar income	(253)
(210)	Dividends Receivable	-
9,580	Income and expenditure in relation to investment properties and changes in their fair value	3,092
-	Impairment of financial assets	226
<b>17,848</b>	<b>Total</b>	<b>13,156</b>

## Notes to the Accounts

### Note 14 Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income disclosed in the CIES is detailed below.

2020/21 £000	Taxation and Non-Specific Grant Income	2020/21 £000
(76,929)	Collection Fund Precepts, Demands and Adjustments	(80,379)
30,800	Business Rates Tariff	30,800
(3,805)	Business Rates S31 Reliefs	(41,312)
(39,905)	Covid-19 Business Rates S31 Funding	(3,373)
(4,105)	Non-ring-fenced Government grants	(4,295)
(25,769)	Capital grants and contributions	(9,914)
(7,681)	Covid-19 MHCLG Funding	(3,118)
-	CIL Revenue Grant	(329)
<b>(127,394)</b>	<b>Total</b>	<b>(111,920)</b>

### Note 15 Grant Income

The Authority credited the following grants, contributions, and donations to the CIES in the year.

The total amounts credited to Taxation and Non-Specific Grant Income are detailed below.

Credited to Taxation and Non-Specific Grant Income	2020/21 £000	2021/22 £000
Business Rates & Council Tax Support Grants (Collection Fund)	46,129	110,966
Business Rates Section 31 Reliefs	3,805	3,372
Covid-19 Business Rates S31 Relief	39,905	10,742
Capital Grants and Contributions	25,769	9,914
New Homes Bonus	2,102	473
Education Services Grant	315	315
Covid-19 Tranche & Capital SFC Compensation DLUHC Funding	7,681	3,118
Adult Social Care non-ring-fenced grant	1,688	2,621
CIL Revenue grant	-	329
Other Grants less than £250k credited to Taxation and Non-Specific Grant Income	-	870
<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>127,394</b>	<b>142,720</b>

## Notes to the Accounts

The total amounts credited to services are detailed below.

Credited to Services	2020/21 £000	2021/22 £000
<b>Government Grants</b>		
Dedicated Schools Grant (DSG)*	65,795	69,742
Pupil Premium	1,710	1,738
PE and Sports Grant	595	595
Universal Infant Free School Meals (UIFSM)	1,188	1,124
Teachers' Pay Grant	497	29
Teachers' Pensions Grant	1,533	91
Asylum Seekers & Other Refugee Grants	350	452
Adult Care Support/Improved Better Care/Winter Pressures	3,093	2,279
Disabled Facilities Grant	557	-
Other Education Grants (incl GTP & School Workforce Adviser)	800	432
Troubled Families DCLG	353	406
Domestic Abuse	-	290
Public Health Grant	4,582	4,831
New Burdens Grant / Service Transformation	8	297
Operation Forth Bridge	-	437
Homelessness Grants	1,979	2,619
Household Support Grant (DWP)	-	588
Elections and Electoral Registration	65	256
Housing Benefit and Council Tax Benefit Administration associated grants	378	416
Other government grants less than £250k	1,534	1,520
<b>Total Government Grants</b>	<b>85,017</b>	<b>88,142</b>
Mandatory Rent Allowances: subsidy	25,524	22,495
Discretionary Benefits	288	252
<b>Total Housing Benefit Income</b>	<b>25,812</b>	<b>22,747</b>
<b>Other Grants and Contributions</b>		
Youth Justice Board	146	-
Health-Better Care	7,981	11,980
Health-Other Contributions	2,637	2,783
Contributions	9,316	9,072
Parental Conflict	10	-
Donations	530	463
Contributions from other funds/balances & reallocations	4,940	3,566
<b>Total Other Grants and Contributions</b>	<b>25,560</b>	<b>27,864</b>
Covid - Contributions	2,315	-
Covid - Contain Outbreak Management Fund	258	2,328
Covid - Infection Control fund	-	2,171
Covid - Emergency Food grant	3,440	-
Covid -Workforce	-	495
Covid - Winter Grant	-	360
Covid - Council Tax Support Hardship Fund	28	349
Covid - Sales, Fees, and Charges Compensation	41	1,617
Covid - High Street safety	7,662	175
Covid - Other Grants less than £250k	1,454	1,539
<b>Total Covid Grants and Contributions</b>	<b>15,198</b>	<b>9,034</b>
<b>Total Credited to Services</b>	<b>151,587</b>	<b>147,787</b>

## Notes to the Accounts

In 2021/22 at total of £14.9m of Covid-19 grant income, mainly received from DLUHC in respect of business rates support, was passported to third parties. These grants have been excluded from the table above

### Capital Grants Receipts in Advance

The Royal Borough 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:

	2020/21 £000	2021/22 £000
Developers Contributions	4,347	3,783
Other Contributions	79	77
Education Grants	54	6
Other Grants	4,729	5,995
<b>Total</b>	<b>9,209</b>	<b>9,861</b>

### Capital Grants Unapplied

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

	2020/21 £000	2021/22 £000
Education Grants	3,088	4,730
Other Grants	11,977	8,943
<b>Total</b>	<b>15,065</b>	<b>13,673</b>

### Note 16 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 and Early Years Finance (England) Regulations 2021. 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.

## Notes to the Accounts

**Details of the deployment of DSG receivable for 2021/22 are as follows:**

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2021/22 before academy and high needs recoupment			134,924
Academy and high needs figure recouped for 2021/22			(65,448)
<b>Total DSG after academy and high needs recoupment for 2021/22</b>			<b>69,476</b>
Plus: Brought forward from 2020/21	-	-	-
Less: Carry-forward to 2022/23 agreed in advance	-	-	-
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>28,798</b>	<b>40,678</b>	<b>69,476</b>
In year adjustments	339	(72)	267
<b>Final budget distribution for 2021/22</b>	<b>29,137</b>	<b>40,606</b>	<b>69,743</b>
Less: Actual central expenditure	(29,393)	-	(29,393)
Less: Actual ISB deployed to schools	-	(40,606)	(40,606)
Plus: Local authority contribution for 2021/22	-	-	-
<b>In Year Carry-forward to 2022/23</b>	<b>(256)</b>	<b>-</b>	<b>(256)</b>
Plus/Minus: Carry-forward to 2022/23 agreed in advance			
Carry-forward to 2022/23			
DSG unusable reserve at the end of 2020/21			(1,791)
Addition to DSG unusable reserve at the end of 2021/22			(256)
<b>Total of DSG unusable reserve at the end of 2021/22</b>			<b>(2,047)</b>
<b>Net DSG position at the end of 2021/22</b>			<b>(2,047)</b>

## Note 17 Property, Plant and Equipment

The following tables analyse movements in the carrying values of non-current assets during the year.

Movements in 2021/22							
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>341,466</b>	<b>35,437</b>	<b>213,716</b>	<b>9,314</b>	<b>66,356</b>	<b>18,061</b>	<b>684,350</b>
Additions	1,456	1,570	9,969	87	-	10,787	23,869
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,756	-	-	-	34	-	14,790
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,513)	-	-	(222)	(3,477)	-	(20,212)
Derecognition – disposals	(11,144)	-	-	-	-	-	(11,144)
Derecognition – other	(140)	(1,475)	-	-	-	-	(1,615)
Asset reclassifications*	12,663	-	(122)	-	685	(13,114)	112
Other movements in cost or valuation	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>342,544</b>	<b>35,532</b>	<b>223,563</b>	<b>9,179</b>	<b>63,598</b>	<b>15,734</b>	<b>690,150</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2021</b>	<b>(12,848)</b>	<b>(16,103)</b>	<b>(127,104)</b>	<b>(129)</b>	<b>(3,142)</b>	<b>-</b>	<b>(159,326)</b>
Depreciation charge	(2,383)	(2,798)	(6,943)	-	-	-	(12,124)
Depreciation written out to the Revaluation Reserve	9,662	-	-	-	-	-	9,662
Depreciation written out to the Surplus/Deficit on the Provision of Services	68	-	-	-	-	-	68
Other Adjustments	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>(5,501)</b>	<b>(18,901)</b>	<b>(134,047)</b>	<b>(129)</b>	<b>(3,142)</b>	<b>-</b>	<b>(161,720)</b>
<b>Net Book Value</b>							
At 31 March 2022	337,043	16,631	89,516	9,050	60,456	15,734	528,430
At 31 March 2021	328,618	19,334	86,612	9,185	63,214	18,061	525,024

NOTES TO THE ACCOUNTS

Movements in 2020/21							
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>313,833</b>	<b>33,644</b>	<b>204,708</b>	<b>9,052</b>	<b>75,743</b>	<b>41,325</b>	<b>678,305</b>
Additions	7,177	1,793	9,008	262	80	11,720	30,040
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(9,293)	-	-	-	352	-	(8,941)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,580)	-	-	-	(1,682)	-	(5,262)
Derecognition – disposals	(21)	-	-	-	-	(1,237)	(1,258)
Derecognition – other	-	-	-	-	-	-	-
Asset reclassifications*	33,350	-	-	-	(8,137)	(33,747)	(8,534)
Other movements in cost or valuation	-	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>341,466</b>	<b>35,437</b>	<b>213,716</b>	<b>9,314</b>	<b>66,356</b>	<b>18,061</b>	<b>684,350</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2020</b>	<b>(14,792)</b>	<b>(13,360)</b>	<b>(120,677)</b>	<b>(129)</b>	<b>(2,686)</b>	<b>-</b>	<b>(151,644)</b>
Depreciation charge	(2,701)	(2,731)	(6,427)	-	(230)	-	(12,089)
Depreciation written out to the Revaluation Reserve	4,645	-	-	-	(72)	-	4,573
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	(154)	-	(154)
Other Adjustments	-	(12)	-	-	-	-	(12)
<b>At 31 March 2021</b>	<b>(12,848)</b>	<b>(16,103)</b>	<b>(127,104)</b>	<b>(129)</b>	<b>(3,142)</b>	<b>-</b>	<b>(159,326)</b>
<b>Net Book Value</b>							
At 31 March 2021	328,618	19,334	86,612	9,185	63,214	18,061	525,024
At 31 March 2020	299,041	20,284	84,031	8,923	73,057	41,325	526,661



## Depreciation

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

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

## Capital Commitments

At 31 March 2022, the Royal Borough has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £4.921m. Similar commitments at 31 March 2019 were £10.335m. The major commitments are:

Scheme	£000
Vicus Way Car Park	4,815
Traffic Management	106
	<b>4,921</b>

## Revaluations

The Royal Borough 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	-	16,631	-	16,631
<b>Valued at fair value as at:</b>				
31 March 2022	226,762	-	60,456	287,218
31 March 2021	80,995	-	-	80,995
31 March 2020	25,035	-	-	25,035
31 March 2019	8,202	-	-	8,202
31 March 2018	-	-	-	-
<b>Total Cost or Valuation</b>	<b>340,994</b>	<b>16,631</b>	<b>60,456</b>	<b>418,081</b>
Variations since date of valuation (see below)	(3,951)	-	-	(3,951)
<b>Net Book Value as at 31st March 2022</b>	<b>337,043</b>	<b>16,631</b>	<b>60,456</b>	<b>414,130</b>

## Note 18 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 Royal 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 approach and disclosure complies with the Code of Practice on Local Authority Accounting.

## Note 19 Investment Properties

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

	2020/21 £000	2021/22 £000
<b>Balance at 1 April</b>	<b>96,230</b>	<b>94,316</b>
Net gains/(losses) from fair value adjustments	(10,218)	(3,091)
Derecognition - Disposals	-	-
<b>Transfers:</b>	-	-
(To)/From Property, Plant & Equipment	8,534	-
Other	(230)	-
<b>Balance at 31 March</b>	<b>94,316</b>	<b>91,225</b>

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

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use. The investment property portfolio has been valued at 31 March 2022 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 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.

## Note 20 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 £0.464m charged to the relevant service in 2021/22 (2020/21: £0.554m).

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

	2020/21 £000	2021/22 £000
Gross Carrying Amount	17,472	17,538
Accumulated Amortisation	(15,751)	(16,306)
<b>Net Carrying Amount at Start of Year</b>	<b>1,721</b>	<b>1,232</b>
Additions	66	72
Assets reclassified between asset categories	-	122
Derecognition	-	-
Amortisation for the Period	(555)	(464)
Amortisation written out on derecognition	-	-
<b>Balance at End of Year</b>	<b>1,232</b>	<b>962</b>
<b>Comprising</b>		
Gross Carrying Amount	17,538	17,732
Accumulated Amortisation	(16,306)	(16,770)
<b>Net Carrying Amount at the End of Year</b>	<b>1,232</b>	<b>962</b>

## Note 21 Leases

### Authority as Lessee

#### Finance Leases

There were no finance leases in 2020/21 or 2021/22.

#### Operating Leases

The Royal Borough 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:

NOTES TO THE ACCOUNTS

2021/22 Future minimum lease payments	Land and buildings £000	Vehicles, Plant & Equipment £000	Other Leases £000	2021/22 Rental Charge £000
Not later than one year	279	10	90	<b>379</b>
Later than one year and not later than five years	683	10	56	749
Later than five years	1,398	-	2	1,400
<b>Total</b>	<b>2,360</b>	<b>20</b>	<b>148</b>	<b>2,528</b>

2020/21 Future Minimum lease payments	Land and buildings £000	Vehicles, Plant & Equipment £000	Other Leases £000	2020/21 Rental Charge £000
Not later than one year	309	10	102	<b>421</b>
Later than one year and not later than five years	906	18	92	<b>1,016</b>
Later than five years	1,956	10	1	<b>1,967</b>
<b>Total</b>	<b>3,171</b>	<b>38</b>	<b>195</b>	<b>3,404</b>

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

	2020/21 £000	2021/22 £000
Minimum lease payments	1,510	1,636
Contingent rents	91	95
<b>Total</b>	<b>1,601</b>	<b>1,731</b>

### Authority as Lessor

#### Finance Leases

There were no finance leases in 2020/21 or 2021/22.

#### 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:

	2020/21 £000	2021/22 £000
Not later than one year	3,763	3,035
Later than one year and not later than five years	11,868	10,768
Later than five years	179,623	175,055
<b>Total</b>	<b>195,254</b>	<b>188,858</b>

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

## Note 22 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.

	2020/21 £000	2021/22 £000
Opening Balance at 1 April	209,307	214,750
<b>Capital Investment</b>		
PPE	23,501	23,872
Assets Held for Sale	-	-
Heritage Assets	-	-
Intangible Assets	66	72
REFCUS	3,597	2,234
<b>Total Capital Investment</b>	<b>27,164</b>	<b>26,178</b>
<b>Sources of Financing</b>		
Capital Receipts	(480)	(1,003)
Govt Grants	(18,676)	(11,305)
Revenue funding	(355)	(400)
Earmarked Reserves	-	-
MRP	(2,210)	(2,920)
<b>Total Financing</b>	<b>(21,721)</b>	<b>(15,628)</b>
<b>Closing CFR at 31 March</b>	<b>214,750</b>	<b>225,300</b>
<b>Explanation of Movements in Year</b>		
Movement in Underlying Need to Borrow	5,443	10,550
Assets acquired under Finance Leases	-	-
Assets acquired under PFI contracts	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>5,443</b>	<b>10,550</b>

During 2021/22 £0.698m (2020/21: £0.289m) of borrowing costs for assets with a construction period of greater than one year were capitalised.

### Note 23 Debtors

The table below shows the amounts owed to the Royal Borough at the end of the year. The amounts owed have been analysed by type of debtor.

	2020/21 £000	2021/22 £000
Trade Receivables	24,828	21,091
Prepayments	1,578	1,988
Collection Fund	43,677	48,693
Other	-	2,327
<b>Total</b>	<b>70,083</b>	<b>74,099</b>

**Debtors for local taxation** (included in the above figures)

	2020/21 £000	2021/22 £000
Less than one year	6,510	4,636
More than one year	37,167	44,057
<b>Total</b>	<b>43,677</b>	<b>48,693</b>

### Note 24 Cash and Cash Equivalents

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

	2020/21 £000	2021/22 £000
Cash held by the Authority	678	782
Bank current accounts	731	(659)
Short-term deposits	10,500	32,200
<b>Total Cash and Cash Equivalents</b>	<b>11,909</b>	<b>32,323</b>

The Royal Borough manages its current accounts so that they are always in credit. The bank current account deficit at the yearend reflects the timing difference between the authorisation of payments and their release from the bank account.

## Note 25 Creditors

The table below shows amounts owed by the Council at the end of the year. The amounts due have been analysed by type of creditor.

	2020/21	2021/22
	£000	£000
Trade Payables	(48,216)	(45,820)
Prepayments	-	-
Collection Fund	-	-
Other - including Collection Fund	(27,117)	(42,111)
<b>Total</b>	<b>(75,333)</b>	<b>(87,931)</b>

## Note 26 Provisions, Contingent Liabilities and Contingent Assets

The following table shows the value of the Royal Borough's liabilities that will probably result in a transfer of economic benefits.

Balance at 31 March 2020		Balance at 1 April 2021	Additional Provisions made in 2021/22	Amounts used in 2021/22	Transfers between current and non-current provisions	Unused amounts reversed in 2021/22	Unwinding of discounting in 2021/22	Balance at 31 March 2022
£000		£000	£000	£000	£000	£000	£000	£000
	<b>Short Term</b>							
-	Provision for redundancy	-	-	-	-	-	-	-
-	Provision for MMI clawback liability	-	-	17	(240)	-	-	(223)
-	Provision for Business Rates Deficit	-	-	-	-	-	-	-
-	Appeal provision for collection fund (Business Rates)	-	-	-	(2,103)	-	-	(2,103)
-	Adult Social Care Provision	-	-	-	-	-	-	-
-	<b>Total Short-Term Provision</b>	-	-	17	(2,343)	-	-	(2,326)
	<b>Long Term</b>							
(24)	Provision for redundancy	(400)	-	400	-	-	-	-
(242)	Provision for MMI clawback liability	(240)	-	-	240	-	-	-
(2,421)	Provision for Business Rates Deficit	-	-	-	-	-	-	-
(1,023)	Appeal provision for collection fund (Business Rates)	(6,758)	(3,233)	2,835	2,103	-	-	(5,053)
-	Adult Social Care Provision	(393)	-	393	-	-	-	-
(3,710)	<b>Total Long-Term Provision</b>	(7,791)	(3,233)	3,628	2,343	-	-	(5,053)

### **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.

The current provision was set in conjunction with the advice of the Royal Borough's insurance brokers noting the approach taken by the other Berkshire unitary authorities. It is set to cover the likely maximum exposure from our total potential liabilities. These are currently RBWM claims of £298,680 and approximately 1/6 of the BCC claims of £4.5m.

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

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

**Provision for redundancy** - provision for redundancy payments expected in 2022/23 that relate to decisions made in 2021/22

**Appeal Provision for Business Rates** - The provision is required to cover the loss of income that may result from appeals by Business Rates payers against the 2010 and 2017 valuation lists that have been made in 2021/22 and previous years.

### **Contingent Liabilities**

At 31 March 2022, and 31 March 2021 the Authority had no material contingent liabilities.

### **Contingent Assets**

At 31 March 2022, and 31 March 2021 the Authority had no material contingent assets.



## Note 27 External Audit

The Royal Borough has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors. The costs below for both 2021/21 and 2021/22 are not final as the audit for 2020/21 is still on-going and additional costs are likely to be incurred.

	2020/21 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out during the year	139	117
Fees payable in respect of statutory inspections	-	-
Fees payable for the certification of grant claims and returns during the year	26	21
Fees payable in respect of other services provided during the year	-	-
<b>Total</b>	<b>165</b>	<b>138</b>

## Note 28 Cash Flow Statement - Operating Activities

The cashflows from operating activities include the following items

2019/20 £000		2020/21 £000
(484)	Interest Received	(253)
3,361	Interest Paid	3,055
(210)	Dividends Received	-
<b>2,667</b>	<b>Total</b>	<b>2,802</b>

Items that are included in the surplus/deficit on the provision of services that are investing, and financing activities are set out below.

2020/21 £000		2021/22 £000
(17,673)	Capital Grants	(3,090)
(480)	Proceeds from the Sale of Properties	(9,913)
-	Council Tax and NNDR Adjustments	-
-	Other items	-
<b>(18,153)</b>	<b>Total</b>	<b>(13,003)</b>

## NOTES TO THE ACCOUNTS

The cash flow adjustments to the net surplus/deficit on the provision of services include the following non-cash items.

2020/21 £000		2021/22 £000
11,859	Depreciation/Impairment charge	12,055
554	Amortisation of Intangible Assets	464
-	(Increase)/Decrease in Investments	231
9,581	Revaluation of Non-Current Assets	23,304
1,233	Derecognition of Non-Current Assets	12,759
(47,241)	(Increase)/Decrease in Debtors	(4,016)
43,175	Increase/(Decrease) in Creditors	9,801
-	Increase/(Decrease) in Grants Received in Advance	(3,387)
22	(Increase)/Decrease in Inventories	-
4,081	Increase/(Decrease) in Provisions	(412)
6,538	Pensions Liability	12,074
-	Other non-cash items	-
<b>29,802</b>	<b>Total non-cash movements</b>	<b>62,873</b>

### Note 29 Cash Flow Statement – Investing Activities

The cashflows from operating activities include the following items

2020/21 £000		2021/22 £000
(23,566)	Purchase of property, plant and equipment, investment property and intangible assets	(21,262)
(780)	Purchase of short-term and long-term investments	(3,478)
-	Other payments for investing activities	-
480	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
309	Proceeds from short-term and long-term investments	4,526
17,941	Other receipts from investing activities	13,003
<b>(5,616)</b>	<b>Net cash flows from investing activities</b>	<b>(7,211)</b>

### Note 30 Cash Flow Statement – Financing Activities

The cashflows from operating activities include the following items

2020/21 £000		2021/22 £000
-	Other receipts from financing activities	(1,033)
134,849	Cash receipts of short-term and long-term borrowing	235,604
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
(134,000)	Repayments of short-term and long-term borrowing	(220,799)
-	Other payments for financing activities	5,072
849	Net cash flows from financing activities	18,844

### Note 31 Members' Allowances

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

	2020/21 £000	2021/22 £000
Allowances (Basic and Members' responsibilities)	503	516
Expenses	-	-
Total	503	516

### Note 32 Officers' Remuneration

The remuneration paid to or receivable by the Royal Borough's senior employees is detailed in the table below.

		Salaries, fees, and allowances £	Compensation for loss of office £	Expense allowances £	Pension Contributions £	£ Total
Duncan Sharkey, Chief Executive	2021/22	151,980	-	250	22,987	175,217
	2020/21	149,000	-	-	22,499	171,499
Executive Director of Resources & Section 151 Officer	2021/22	126,480	-	-	18,798	145,278
	2020/21	124,000	-	150	18,746	142,896
Executive Director of Adults, Health & Housing	2021/22	124,000	-	493	18,724	143,217
	2020/21	114,000	-	429	17,278	131,707
Executive Director of Children's Services	2021/22	124,000	-	-	19,098	143,098
	2020/21	114,000	-	-	17,214	131,214
Executive Director of Place <sup>1</sup>	2021/22	125,000	-	150	15,836	140,986
	2020/21	-	-	-	-	-
Monitoring Officer and Deputy Director of Law & Strategy <sup>2</sup>	2021/22	104,873	-	-	18,898	123,771
	2020/21	17,136	-	-	2,588	19,724

Notes

1. The Executive Director of Place was appointed to the post in April 2021
2. The Monitoring Officer and Deputy Director of Law & Strategy was appointed to the post in January 2021.

NOTES TO THE ACCOUNTS

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

Remuneration Band	2020/21 Number of Employees	2021/22 Number of Employees
£50,000 - £54,999	30	33
£55,000 - £59,999	21	20
£60,000 - £64,999	17	18
£65,000 - £69,999	12	11
£70,000 - £74,999	6	7
£75,000 - £79,999	1	7
£80,000 - £84,999	2	5
£85,000 - £89,999	2	2
£90,000 - £94,999	2	4
£95,000 - £99,999	1	-
£100,000 - £104,999	2	3
£105,000 - £109,999	1	-
£110,000 - £114,999	1	-
£115,000 - £119,999	1	-
£120,000 - £124,999	1	2
£125,000 - £129,999	-	2
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	2	-
£150,000 - £154,999	-	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)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £000	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0- £20,000	10	-	1	17	11	17	14	136
£20,001 - £40,000	1	-	1	4	2	4	54	103
£40,001 - £60,000	-	-	-	1	-	1	-	41
£60,001 - £80,000	-	-	-	1	-	1	-	78
<b>Total</b>	<b>11</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>68</b>	<b>358</b>

### Note 33 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 8. Grant receipts outstanding at 31 March 2022 are shown in Note 15.

#### Members of the Council

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 33. During the financial year £95m of expenditure was incurred with third parties in which members had an interest. These are listed in the table below.

#### Corporate Directors and Service Directors

Corporate Directors and Service Directors are required on an annual basis to make a declaration of related parties, and this has been completed for 2021/22.

#### Related Party Transactions with Other Public Bodies

The Council has a pooled fund arrangement with Adult Social Care budgets and CCG commissioned expenditure, together with expenditure funded by the Better Care Fund, Improved Better Care Fund and the GM Health and Social Care Transformation Fund. For further detail see Note 36 Pooled Funds.

#### 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 for administering the Fund during the year.

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

	2020/21				2021/22			
	Exp £000	Income £000	Dr £000	Cr £000	Exp £000	Income £000	Dr £000	Cr £000
Achieving for Children Community Interest Co	50,905	2,338	13	-	56,346	2,098	623	-
All Saints Church	-	-	-	-	7	-	-	-
Baby Bank	-	-	-	-	27	-	-	-
Care UK	5,219	-	55	-	89	-	-	-
Charters School	155	35	-	-	131	-	-	-
Family Friends in Windsor and Maidenhead	-	-	-	-	5	-	-	-
More Than a Shelter	-	-	-	-	5	-	-	-
Norden Farm Centre Trust Ltd	157	33	-	-	92	-	-	-
Optalis Ltd	34,499	1,501	48	(504)	37,975	1,625	492	(4,800)
Sportsable	32	-	-	-	100	0	-	-
Windsor Foodshare	-	-	-	-	15	-	-	-
West Windsor Hub	-	-	-	-	15	-	-	-
<b>Total</b>	<b>90,967</b>	<b>3,907</b>	<b>115</b>	<b>(504)</b>	<b>94,807</b>	<b>3,723</b>	<b>1,115</b>	<b>(4,800)</b>

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

### Note 34 Pooled Budgets

During 2021/22, the Royal Borough was involved in the following pooled budget arrangements: -

#### 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 the Royal Borough use net underspends in this way, then it must contribute an equivalent sum into the BCF in future. The BCF net underspend of £2.629m has been used to fund Homecare and the Royal Borough's reserves have been increased accordingly. Total reserves ring-fenced for pooling into the BCF in future are £3.400m. Unapplied Disabled Facilities Grant ring-fenced for pooling in the future is £0.725m.

Council Hosting the Better Care Fund as Principal	2020/21 £000	2021/22 £000
Funding from the Royal Borough of Windsor and Maidenhead	5,550	3,570
Funding from the Health Service	9,428	11,980
<b>Total Funding</b>	<b>14,978</b>	<b>15,550</b>
<b>Total Expenditure on Better Care Fund</b>	<b>14,978</b>	<b>15,550</b>

#### Berkshire Community Equipment Service

The Royal Borough is 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.

	2020/21 £000	2021/22 £000
<b>Funding</b>		
RBWM	561	697
Other Berkshire Authorities	3,857	4,207
Clinical Commissioning Group (formerly Berkshire Primary Care Trusts)	6,278	6,659
<b>Total Funding</b>	<b>10,696</b>	<b>11,563</b>
<b>Expenditure</b>		
Management Fund Costs	121	122
NRS Healthcare Services	10,575	11,441
<b>Total Expenditure</b>	<b>10,696</b>	<b>11,563</b>
<b>Net Expenditure on Joint Stores Services</b>	<b>-</b>	<b>-</b>

## Note 35 Financial Instruments

### 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 of 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 and commercial lenders,
- short-term loans from other local authorities,
- lease payables detailed in note 23,
- 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 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.

### Financial Instruments - Balances

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

	Long Term		Short Term	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Loans at amortised cost	(56,264)	(71,265)	(135,635)	(135,330)
Total Borrowing	(56,264)	(71,265)	(135,635)	(135,330)
Trade payables at amortised cost	-	-	(48,216)	(45,820)
Included in Creditors*	-	-	(48,216)	(45,820)
Total Financial Liabilities	(56,264)	(71,265)	(183,851)	(181,150)

## NOTES TO THE ACCOUNTS

\* The creditors lines on the Balance Sheet include £42.1m (2021: £27.1m) short-term and £0.2m (2021: £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:

	Long Term		Short Term	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
At amortised cost:				
- Loans	1,278	1,272	8,944	7,896
At fair value through other comprehensive income:				
- Loans	225	-	-	-
<b>Total Investments*</b>	<b>1,503</b>	<b>1,272</b>	<b>8,944</b>	<b>7,896</b>
At amortised cost:				
- Cash and Cash Equivalents	-	-	11,909	32,324
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>11,909</b>	<b>32,324</b>
At amortised cost:				
- Trade receivables	-	-	24,828	21,091
Included in debtors**	-	-	24,828	21,091
<b>Total Financial Assets</b>	<b>1,503</b>	<b>1,272</b>	<b>45,681</b>	<b>61,311</b>

\* The long-term investments line in the Balance Sheet also includes a £123k (2021: £123k) equity investment in Optalis Ltd that is not accounted for as a financial instrument.

\*\* The debtors lines on the Balance Sheet include £53.0m (2021: £45.3m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions or payments in advance.

### **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 31<sup>st</sup> March 2022, 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 31<sup>st</sup> 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.



## NOTES TO THE ACCOUNTS

	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	2020/21	2020/21	2021/22	2021/22
	£000	£000	£000	£000
Financial liabilities held at amortised cost:				
Long-term loans from PWLB	43,264	61,647	43,265	54,908
Long-term LOBO loans	13,000	19,624	13,000	17,308
Other long-term loans	-	-	15,000	14,419
<b>Total Financial Liabilities held at amorised cost</b>	<b>56,264</b>	<b>81,271</b>	<b>71,265</b>	<b>86,635</b>

\* 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 because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	2020/21	2020/21	2021/22	2021/22
	£000	£000	£000	£000
Financial assets held at fair value:				
Money market funds	10,500	10,500	18,000	18,000
Financial assets held at amortised cost	-	-	-	-
Long-term loans to companies	1,278	1,428	1,272	1,403
<b>Total</b>	<b>11,778</b>	<b>11,928</b>	<b>19,272</b>	<b>19,403</b>

\* 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 is now lower than that obtained when the investment was originally made.

### Note 36 Nature and Extent of Risks Arising from Financial Instruments

#### Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

Priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

**Credit Risk: Overview**

The Council is exposed to credit risk on the following categories of financial assets and commitments:

Exposure Category	2020/21 £000	2021/22 £000
Treasury Investments	13,722	18,454
Trade Receivables	24,828	21,091
Service Loans	10,202	9,154
<b>Total Credit Risk Exposure</b>	<b>48,752</b>	<b>48,699</b>

**Credit Risk: Treasury Investments**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty (other than the UK government).

**Credit Risk: Trade Receivables**

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council’s historic experience of default, with an allowance to adjust for current and forecast economic conditions.

**Liquidity Risk**

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The maturity analysis of financial liabilities is as follows:

Time to maturity (years)	2020/21 £000	2021/22 £000
Not over 1	135,635	143,330
Over 1 but not over 2	8,000	-
Over 2 but not over 5	-	15,000
Over 5	48,265	48,265
<b>Total</b>	<b>191,900</b>	<b>206,595</b>

**Market Risks: Interest Rate Risk**

The Council 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 will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise

- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

### **Note 37 Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Royal Borough are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Royal Borough 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 Royal Borough is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

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

In 2021/22, the council paid £3.713m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £3.759m and 23.68%. There were no contributions remaining payable at the year-end. The Royal Borough is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

## Note 38 Defined Benefit Pension Schemes

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

### Participation in pension schemes

The Royal Borough participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), which is administered through the Royal County of Berkshire Pension – this is a funded defined benefit career average salary scheme, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2021/22 the Royal Borough paid an employer's contribution total of £10.907m, which represented 15.1% of employees' pensionable pay of £29.863m plus a monetary amount of £4.311m into the Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations and the current rate was determined by the latest valuation undertaken up to 31 March 2019
- discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. In 2020/21 the cost of the added years benefit awarded in the past amounted to £0.108m representing 0.91% of pensionable pay.

The pension scheme is operated under the framework of the Local Government Pension Scheme and policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Royal Borough of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (e.g., large-scale withdrawals), changes to inflation, bond yields and the performance of the equity investments held by the scheme. However, these are mitigated to a certain extent by the statutory provisions as set out in the following narrative.

Statutory provisions require that General Fund balances are charged with the amount payable by the Council to the pension fund 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 Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is 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 and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).

## NOTES TO THE ACCOUNTS

- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Market quoted investments – current bid price on the final day of the accounting period
  - Fixed interest securities – net market value based on their current yields
  - Unquoted investments – professional estimate

The change in net pensions liability is analysed into the following components:

- **Service Cost** - comprising:
  - Current year service cost – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increases in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements** - comprising:
  - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

### Transactions relating to Post-Employment Benefits

The Royal Borough recognises 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 required against council tax is based on the sums specified on the actuary certificate published as part of the valuation as at 1 April 2019, 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 and HRA balances via the Movement in Reserves Statement during the year.

## NOTES TO THE ACCOUNTS

	Local Government Pension Scheme	
	2020/21 £000	2021/22 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• Current Service Costs	11,624	15,696
• Administration Expenses	139	249
Financing and Investment Income and Expenditure		
• Net Interest Expense	5,724	7,036
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>17,487</b>	<b>22,981</b>
Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
• Return on Fund Assets in excess of interest	(33,481)	(25,257)
• Change in Financial Assumptions	120,997	(28,637)
• Change in Demographic Assumptions	(5,353)	-
• Experience (loss) / gain on defined benefit obligation	(6,915)	1,599
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>75,248</b>	<b>(52,295)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>92,735</b>	<b>(29,314)</b>

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2020/21 £000	2021/22 £000
Present Value of the Defined Benefit Obligation	592,938	579,041
Fair Value of Plan Assets	262,493	288,323
Deficit	330,445	290,718
Present value of unfunded obligation	4,111	3,617
<b>Net defined benefit liability</b>	<b>334,556</b>	<b>294,335</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total net liability of £294.335m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

**Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:**

	2020/21 £000	2021/22 £000
Opening Balance at 1 April	229,208	262,493
Interest Income on Plan Assets	4,443	4,723
Return on Plan Assets, excluding the amount included in the net interest expense	33,481	25,257
Administration Expenses	(139)	(249)
Contributions from Employer (including unfunded)	10,946	10,907
Contributions from Scheme Participants	1,911	1,896
Settlement prices received/(paid)	(189)	-
Benefits Paid	(17,168)	(16,704)
Closing Balance at 31 March	262,493	288,323

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):**

	Local Government Pension Scheme	
	2020/21	2021/22
	£000	£000
Opening Balance at 1 April	481,975	597,049
Current Service Cost	12,323	17,115
Interest cost	10,167	11,759
Change in financial assumptions	120,997	(28,637)
Change in demographic assumptions	(5,353)	-
Experience loss/(gain) on defined benefit obligation	(6,915)	1,599
Liabilities assumed/(extinguished) on settlements	(927)	(1,680)
Estimated Benefits Paid	(16,637)	(16,202)
Past Service Cost including curtailments	39	261
Contributions by Scheme Participants	1,911	1,896
Unfunded Pension payments	(531)	(502)
Closing Balance at 31 March	597,049	582,658

**The significant assumptions used by the actuary have been:**

	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 retiring today (years):		
Men	21.2	21.3
Women	23.9	24.0
Longevity at 65 retiring in 20 years (years):		
Men	22.5	22.6
Women	25.4	25.4
Rate of increase in salaries	3.8%	4.2%
Rate of increase in pensions	2.8%	3.2%
Rate of discounting of scheme liabilities	2.0%	2.6%

### Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis shown in the table below has been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumption may be interrelated. The methods and types of assumptions used in preparing the following sensitivity analysis did not change from those used in the previous period.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows.

	Approximate increase to Gross Obligation £000	Approximate increase to Gross Obligation %	Approximate increase to Net Liability %
0.1% decrease in Discount Rate	11,244	1.9%	3.8%
1 year increase in member life expectancy	26,064	4.5%	8.9%
0.1% Increase in the Salary Increase Rate	537	0.1%	0.2%
0.1% increase in the Pension Increase Rate	10,629	1.8%	3.6%

### Local Government Pension Scheme Assets Comprised:

Asset Breakdown	31 March 2021		31 March 2022	
	£000	%	£000	%
Equities	157,788	60.1	178,921	62.0
Other Bonds	42,869	16.3	46,627	16.2
Property	32,178	12.3	34,493	12.0
Cash	11,729	4.5	6,022	2.1
Target Return Portfolio	10,602	4.0	859	0.3
Infrastructure	21,361	8.1	35,281	12.2
Longevity Insurance	(14,034)	(5.3)	(13,880)	(4.8)
<b>Total</b>	<b>262,493</b>	<b>100.0</b>	<b>288,323</b>	<b>100.0</b>

### Impact on the Council's Cash Flows

The contributions paid by the Royal Borough are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2019). The objectives of the scheme include the desirability of maintaining as nearly a constant a primary rate as possible. Recovery of the deficit related to the Royal Borough is targeted for elimination after a recovery period length of no more than 21 years.



## Note 39 Trusts and Other Entities

The Royal Borough holds balances on behalf of a number of Trusts and other entities that are administered by the Royal Borough. The details of these are published below for information and do not form part of the Financial Statements.

	2020/21 closing balance £000	Receipts in year £000	Payments in year £000	2021/22 closing balance £000
Local Enterprise Partnership (LEP)	20,376	7,104	12,536	14,944
Flexible Home Improvements Ltd (FHIL)	21	369	76	314
Kidwells Park Trust	445	16	1	460
RBWM Flood Relief Fund	190	0	0	190
Mayor's Benevolent Fund	26	4	6	24
Working Boys Club	648	17	24	641
Thames Valley Athletic Centre	118	6	0	124
Other Trust Funds	1	0	0	1
<b>Trusts &amp; Other Entities Total</b>	<b>21,825</b>	<b>7,516</b>	<b>12,643</b>	<b>16,698</b>

### Local Enterprise Partnership (LEP)

The LEP was incorporated in December 2011 and pulls together key players across Thames Valley and Berkshire representing education, employment and skills, SME and corporate enterprises, Local Authorities, and the community sector. The figures above represent the grants received by the Royal Borough from central government, and payments made by the Royal Borough to third parties, following instruction from the LEP.

### Flexible Home Improvements Ltd (FHIL)

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

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# SUPPLEMENTARY ACCOUNTING STATEMENTS

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Royal Borough  
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# Collection Fund 2021/22

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Royal Borough  
of Windsor &  
Maidenhead

## Supplementary Accounting Statements

### Collection Fund Accounts

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.

2020/21 £'000	COUNCIL TAX	2021/22 £'000
<b>INCOME</b>		
96,095	Council Tax receivable	100,815
-	Council tax benefit from General Fund	349
<b>96,095</b>	<b>Total Income</b>	<b>101,164</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year (Deficit)/Surplus</b>		
-	Central Government	-
(113)	Royal Borough of Windsor and Maidenhead	383
(7)	Berkshire Fire and Rescue Authority	23
(22)	Thames Valley Police & Crime Commissioner	74
<b>(142)</b>		<b>480</b>
<b>Precepts and Demands</b>		
-	Central Government	-
76,802	Royal Borough of Windsor and Maidenhead	81,125
4,644	Berkshire Fire and Rescue Authority	4,770
14,856	Thames Valley Police & Crime Commissioner	16,000
<b>96,302</b>		<b>101,895</b>
<b>Charges to Collection Fund</b>		
237	Less write offs of uncollectable amounts	131
121	Less: Increase in Bad Debt Provision	75
-	Less: Disregarded amounts	-
<b>358</b>		<b>206</b>
<b>96,518</b>	<b>Total Expenditure</b>	<b>102,581</b>
(423)	<b>(Deficit) arising during the year</b>	(1,417)
(81)	<b>(Deficit) Brought Forward</b>	(504)
<b>(504)</b>	<b>(Deficit) Carried Forward</b>	<b>(1,921)</b>

#### 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 2021/22 the sum of £33.90 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

## Supplementary Accounting Statements

was also included to cover additional Adult Social Care costs and resulted in an additional charge of £127.78 at band D for 2021/22.

Number of Properties						
Band	Property Value	Base	Ratio	Band D Equivalent	New build and collection provision	TAX BASE
A	Up to £40,000	1,559.09	6/9	1,039.17	18.59	1,057.76
B	£40,001 to £52,000	2,515.35	7/9	1,956.38	117.92	2,074.30
C	£52,001 to £68,000	7,754.44	8/9	6,892.84	381.68	7,274.52
D	£68,001 to £88,000	14,173.21	9/9	14,173.21	-48.98	14,124.23
E	£88,001 to £120,000	12,174.85	11/9	14,880.37	-58.59	14,821.78
F	£120,001 to £160,000	7,707.52	13/9	11,133.08	-38.90	11,094.18
G	£160,001 to £320,000	9,119.66	15/9	15,199.43	-47.96	15,151.47
H	more than £320,000	1,797.61	18/9	3,595.22	-14.03	3,581.19
<b>Total</b>		<b>56,801.73</b>		<b>68,869.71</b>	<b>309.73</b>	<b>69,179.43</b>

The average Band D charge for 2021/22 was £1,472.91. Therefore, based on the adjusted tax base of 69,179.43. The estimated yield was £101.89m. This can be reconciled to the income received as follows: -

	2020/21	2021/22
	£'000	£'000
Estimated Yield	96,957	101,895
Transitional Relief	-	-
Other Changes in Yield	-	-
<b>Council Tax Income</b>	<b>96,957</b>	<b>101,895</b>

The council tax debt position is reviewed regularly and a provision of £1.651m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £1.31m.

### Precepts and Demands on the Funds

The following authorities made demands on the Council Tax Collection Fund in 2021/22: -

	2021/22	
	£'000	£'000
<b>Council Tax</b>		
Royal Borough of Windsor and Maidenhead		
General Expenses	69,415	
Adult Social Care Precept	8,840	
Special Expenses *	1,215	
Parishes	1,655	
		81,125
Thames Valley Police & Crime Commissioner		16,000
Berkshire Fire and Rescue Authority		4,770
<b>Total Precepts and Demands</b>		<b>101,895</b>

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

## Supplementary Accounting Statements

### Business Rates Income

2020/21 £'000	BUSINESS RATES	2021/22 £'000
<b>INCOME</b>		
47,393	Business Rates receivable	59,850
(549)	Transitional Protection Payments	(549)
<b>46,844</b>	<b>Total Income</b>	<b>59,301</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year Deficit</b>		
(398)	Central Government	(22,869)
(2,421)	Royal Borough of Windsor and Maidenhead	(25,808)
(28)	Berkshire Fire and Rescue Authority	(492)
<b>(2,847)</b>		<b>(49,169)</b>
<b>Precepts and Demands</b>		
45,039	Central Government	50,716
44,139	Royal Borough of Windsor and Maidenhead	49,702
901	Berkshire Fire and Rescue Authority	1,014
<b>90,079</b>		<b>101,432</b>
<b>Charges to Collection Fund</b>		
476	Less write offs of uncollectable amounts	(342)
5,448	Less: Increase/(Decrease) in Bad Debt Provision	(283)
12,410	Less: Increase/(Decrease) in Provision for Appeals	813
237	Less: Cost of Collection	232
-	Less: Renewable energy scheme	20
17	Less: Disregarded amounts	-
<b>18,588</b>		<b>440</b>
<b>105,820</b>	<b>Total Expenditure</b>	<b>52,703</b>
<b>(58,976)</b>	<b>(Deficit) / Surplus arising during the year</b>	<b>6,598</b>
	<b>(Deficit) Brought Forward</b>	
(9,708)	Surplus (Deficit) Brought Forward 2019-20	(68,684)
<b>(9,708)</b>	<b>(Deficit) Brought Forward</b>	<b>(68,684)</b>
<b>(68,684)</b>	<b>(Deficit) Carried Forward</b>	<b>(62,086)</b>

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 2021/22 (51.2p in 2020/21). For RBWM, small business non-domestic multiplier was applicable, and this was set at 49.9p for 2021/22. The total rateable value of business premises in the Borough's area at 31st March 2022 was £211.6m producing a notional yield of £105.6m. The business rate bad debt position is reviewed regularly and a provision of £5.7m was maintained as at 31/03/2022 to cover potentially bad or doubtful debts has been made. Of the total bad debt provision, RBWM's share of the provision is £3.8m. 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 £14.6m was maintained as at 2021/22. Of the total provision as at 31st March 2022, RBWN share was £7.2m.

## Supplementary Accounting Statements

	2020/21	2021/22
	£'000	£'000
Notional Yield	102,118	98,893
Allowances	(48,461)	(31,713)
Rateable Value Changes	2,061	1,962
Occupation Changes	(8,325)	(9,292)
<b>Collectable Income</b>	<b>47,393</b>	<b>59,850</b>

### Precepts and Demands on the Funds

The following authorities made demands on the Business Rates Collection Fund in 2021/22:-

	2021/22	
	£'000	£'000
<b>Business Rates</b>		
Royal Borough of Windsor and Maidenhead	49,701	
		49,701
Central Government		50,716
Berkshire Fire and Rescue Authority		1,014
<b>Total Precepts and Demands</b>		<b>101,431</b>



# Group Financial Statements

## 2021/22

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Royal Borough  
of Windsor &  
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## Supplementary Accounting Statements

### 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 2021/22 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Royal Borough controls.

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

#### Accounting Policies

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

#### Basis of Identification of the Group Boundary

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

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

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

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

## Supplementary Accounting Statements

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, 50% ownership (which reduced from 55% ownership in March 2022). The company was established in June 2011 and became operational during 2011/12. During the year, the Royal Borough increased its share of the joint venture from 45% to 50% and has therefore accounted for the arrangement as a Joint Operation.

### **Group financial position**

The Group recorded a total comprehensive income for the year of £41.302m (2020/21: total comprehensive expenditure of £90.419m). The majority of the change between years is as a result of movements in the net pension liability for those employees 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.

## Supplementary Accounting Statements

### Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure 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. Local authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis, Note 9 to the entity accounts and the Group Movement in Reserves Statement.

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
80,141	(37,906)	42,235	Adults, Health & Housing	78,711	(39,240)	39,471
4,551	(6,157)	(1,606)	Chief Executive	3,218	(4,823)	(1,605)
115,541	(86,710)	28,831	Children's Services	119,616	(92,197)	27,419
550	-	550	Contingency & Corporate	196	(148)	48
3,837	(801)	3,036	Governance, Law, and Strategy	4,834	(1,495)	3,339
45,888	(18,981)	26,907	Place	47,320	(18,800)	28,520
51,599	(41,154)	10,445	Resources	50,059	(39,030)	11,029
-	-	-	Impairment of Assets	20,212	-	20,212
<b>302,107</b>	<b>(191,709)</b>	<b>110,398</b>	<b>Total Cost of Services</b>	<b>324,166</b>	<b>(195,733)</b>	<b>128,433</b>
		1,750	Other Operating Expenditure			11,420
		17,848	Financing and Investment Income and Expenditure			13,156
		(127,394)	Taxation and Non-specific Grant Income			(111,920)
		<b>2,602</b>	<b>Deficit on Provision of Services</b>			<b>41,089</b>
		1,003	Joint Ventures accounted for on an equity basis			2,489
		<b>3,605</b>	<b>Group Deficit</b>			<b>43,578</b>
			<b>Other Comprehensive Income and Expenditure</b>			
		5,526	/Deficit / (Surplus) on revaluation of Property, Plant and Equipment			(24,687)
		75,252	Remeasurement of the net defined benefit liability/(asset)			(52,295)
		7,039	Share of Other Comprehensive Income/Expenditure of Joint Ventures			(5,409)
		<b>87,817</b>	<b>Total Other Comprehensive Expenditure/(Income)</b>			<b>(82,391)</b>
		<b>91,422</b>	<b>Total Comprehensive Expenditure/(Income)</b>			<b>(38,813)</b>

## Supplementary Accounting Statements

### Group Balance Sheet

The Group Balance Sheet shows the value of the assets and liabilities recognised by the Group as at the Balance Sheet date.

31 March 2021 £000	Note	31 March 2022 £000
525,024	Property, Plant & Equipment	528,430
-	Heritage Assets	-
94,316	Investment Property	91,225
1,232	Intangible Assets	962
1,503	Long Term Investments	1,272
-	Long Term Advances	-
-	Long Term Debtors	-
147	Council's Share of Joint Venture Assets	164
<b>622,222</b>	<b>Long Term Assets</b>	<b>622,053</b>
8,944	Short Term Investments	7,896
-	Assets Held for Sale	-
-	Inventories	-
70,083	Short Term Debtors	74,099
11,909	Cash and Cash Equivalents	32,982
<b>90,936</b>	<b>Current Assets</b>	<b>114,977</b>
-	Bank Overdraft	(659)
(135,635)	Short Term Borrowings	(135,330)
(75,333)	Short Term Creditors	(87,931)
-	Short Term Provisions	(2,326)
<b>(210,968)</b>	<b>Current Liabilities</b>	<b>(226,246)</b>
(188)	Long Term Creditors	(179)
(7,791)	Long Term Provisions	(5,053)
(56,265)	Long Term Borrowing	(71,265)
(334,556)	Pension Liabilities	(294,335)
(9,209)	Grant Receipts in Advance	(9,861)
(18,610)	Council's Share of Joint Venture Liabilities	(15,690)
<b>(426,619)</b>	<b>Long Term Liabilities</b>	<b>(396,383)</b>
<b>75,571</b>	<b>Net Assets</b>	<b>114,401</b>
(63,576)	Usable Reserves	(67,485)
(30,581)	Unusable Reserves	(62,565)
18,586	Council's Share of Joint Venture Reserves	15,649
<b>(75,571)</b>	<b>Total Reserves</b>	<b>(114,401)</b>

## Supplementary Accounting Statements

### Group Movement in Reserves Statement

The Group Movement in Reserves Statements shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

2021/22	Total General Fund Reserves	Schools Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Council's share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	(44,959)	(2,203)	(1,349)	(15,065)	(63,576)	(30,581)	(94,157)	18,586	(75,571)
Adjustment to Opening Balance	-	-	-	-	-	-	-	-	-
Restated Balance as at 1 April 2021	(44,959)	(2,203)	(1,349)	(15,065)	(63,576)	(30,581)	(94,157)	18,586	(75,571)
<b>Movement in Reserves during 2021/22</b>									
Total Comprehensive Income and Expenditure	41,089	-	-	-	41,089	(76,982)	(35,893)	(2,920)	(38,813)
Adjustments between accounting basis and funding basis under regulations	(44,303)	-	(2,087)	1,392	(44,998)	44,998	-	-	-
Change in Group Reserves accounted for through equity	-	-	-	-	-	-	-	(17)	(17)
Net Increase/Decrease before transfer to School Revenue Balances	(3,214)	-	(2,087)	1,392	(3,909)	(31,984)	(35,893)	(2,937)	(38,830)
Transfers to/from School Revenue Balances	800	(800)	-	-	-	-	-	-	-
(Increase)/Decrease in 2021/22	(2,414)	(800)	(2,087)	1,392	(3,909)	(31,984)	(35,893)	(2,937)	(38,830)
<b>Balance at 31 March 2022</b>	<b>(47,373)</b>	<b>(3,003)</b>	<b>(3,436)</b>	<b>(13,673)</b>	<b>(67,485)</b>	<b>(62,565)</b>	<b>(130,050)</b>	<b>15,649</b>	<b>(114,401)</b>

## Supplementary Accounting Statements

2020/21	Total General Fund Reserves	Schools Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Council's share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	(14,879)	(437)	(551)	(7,032)	(22,899)	(154,637)	(177,536)	10,544	(166,992)
Adjustment to Opening Balance	-	(1,025)	-	-	(1,025)	1,025	-	-	-
Restated Balance as at 1 April 2020	(14,879)	(1,462)	(551)	(7,032)	(23,924)	(153,612)	(177,536)	10,544	(166,992)
<b>Movement in Reserves during 2020/21</b>									
Total Comprehensive Income and Expenditure	2,601	-	-	-	2,601	80,778	83,379	8,042	91,421
Adjustments between accounting basis and funding basis under regulations	(33,422)	-	(798)	(8,033)	(42,253)	42,253	-	-	-
Change in Group Reserves accounted for through equity	-	-	-	-	-	-	-	-	-
Net Increase/Decrease before transfer to School Revenue Balances	(30,821)	-	(798)	(8,033)	(39,652)	123,031	83,379	8,042	91,421
Transfers to/from School Revenue Balances	741	(741)	-	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(30,080)	(741)	(798)	(8,033)	(39,652)	123,031	83,379	8,042	91,421
<b>Balance at 31 March 2021</b>	<b>(44,959)</b>	<b>(2,203)</b>	<b>(1,349)</b>	<b>(15,065)</b>	<b>(63,576)</b>	<b>(30,581)</b>	<b>(94,157)</b>	<b>18,586</b>	<b>(75,571)</b>

## Supplementary Accounting Statements

### Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

2020/21		2021/22
£000		£000
(2,595)	Net (Deficit) on the provision of services	(41,089)
29,802	Adjustments to net Surplus/(Deficit) on the provision of services for non-cash movements	62,873
(18,153)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	(13,003)
<b>9,054</b>	<b>Net cash flows from Operating Activities</b>	<b>8,781</b>
(5,616)	Investing Activities	(7,211)
849	Financing Activities	18,844
<b>4,287</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,414</b>
7,622	Cash and cash equivalents at the beginning of the reporting period	11,909
<b>11,909</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>32,323</b>

DRAFT



# The Royal County of Berkshire Pension Fund Financial Statements 2021/22

DRAFT

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Royal Borough  
of Windsor &  
Maidenhead

## Supplementary Accounting Statements

### The Royal County of Berkshire Pension Fund

2020/21			2021/22
£'000		Notes	£'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(139,010)	Contributions	7	(148,184)
(6,959)	Transfers in from other pension funds	8	(9,791)
<b>(145,969)</b>			<b>(157,975)</b>
114,245	Benefits	9	122,560
16,109	Payments to and on account of leavers	10	23,894
<b>130,354</b>			<b>146,454</b>
<b>(15,615)</b>	<b>Net additions from dealings with members</b>		<b>(11,521)</b>
27,723	Management expenses	11	<b>15,055</b>
<b>12,108</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>3,534</b>
	<b>Returns on investments</b>		
(28,977)	Investment income	12	(31,079)
(284)	Taxes on income	13	(48)
(378,107)	Profits and losses on disposal of investments and changes in the market value of investments	14	(257,908)
<b>(407,368)</b>	<b>Net return on investments</b>		<b>(289,035)</b>
<b>(395,260)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(285,501)</b>
(2,004,947)	<b>Opening net assets of the scheme</b>		(2,400,207)
<b>(2,400,207)</b>	<b>Closing net assets of the scheme</b>		<b>(2,685,708)</b>

### Net Assets Statement at 31 March 2022

2020/21			2021/22
£'000		Notes	£'000
2,518,894	Investment assets	14	2,806,927
(136,302)	Investment liabilities	14	(133,191)
<b>2,382,592</b>	<b>Total net investments</b>		<b>2,673,736</b>
21,395	Current assets	21	16,336
<b>21,395</b>			<b>16,336</b>
(3,780)	Current liabilities	22	(4,364)
<b>(3,780)</b>			<b>(4,364)</b>
<b>2,400,207</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>2,685,708</b>

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

## Supplementary Accounting Statements

### Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2022

#### 1 Description of Fund

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

##### a) General

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

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

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

The fund is overseen by the Pension Fund 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.

## Supplementary Accounting Statements

Membership details are set out below:

<b>The Royal County of Berkshire Pension Fund</b>	<b>31 March 2021</b>	<b>31 March 2022</b>
Number of employers with active members	189	189
<b>Number of employees in scheme</b>		
Administering authority	1,502	1,483
Unitary authorities	14,772	14,465
Other employers	9,613	10,011
<b>Total</b>	<b>25,887</b>	<b>25,959</b>
<b>Number of pensioners</b>		
Administering authority	2,082	2,179
Unitary authorities	10,825	11,557
Other employers	6,813	7,620
<b>Total</b>	<b>19,720</b>	<b>21,356</b>
<b>Deferred pensioners</b>		
Administering authority	3,516	3,488
Unitary authorities	16,885	17,042
Other employers	7,174	7,557
<b>Total</b>	<b>27,575</b>	<b>28,087</b>
<b>Total number of members in pension scheme</b>	<b>73,182</b>	<b>75,402</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2021/22, employer contribution rates ranged from 10.9% 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.

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

From 1 April 2014, the fund became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated 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.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk).

## Supplementary Accounting Statements

### 2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 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 2020/21 ('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 2021/22.

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

## Supplementary Accounting Statements

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.

## Supplementary Accounting Statements

### 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.

## Supplementary Accounting Statements

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.



## Supplementary Accounting Statements

The items in the financial statements and notes at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately <b>£111.85</b> million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately <b>£114.30</b> million, and a one-year increase in assumed life expectancy would increase the liability by approximately <b>£246.60</b> million.
<b>Longevity insurance policy</b>	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at <b>31 March 2021 is (£133.19 million)</b> . This valuation depends on a number of complex judgements including the discount and mortality rates.	Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.
<b>Private equity investments</b>	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The valuations of private equity investments are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.

### Covid-19 impact

The impact of the Covid-19 pandemic since 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.

## Supplementary Accounting Statements

### 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 2022) 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. In the light of changes to Regulations an adjustment has been included in this years IAS 26 calculations. In particular, the projected service cost from 1 April 2022 has been adjusted to ensure that no further McCloud remedy is made. The remedy is expected to apply to benefits up to 31 March 2022.

#### Investments

The investment figures in the accounts and notes have been adjusted in all material respects to reflect the impact of any information received after 31 March 2022 which reflect the conditions as at 31 March 2022. During the preparation of the statement of accounts, the fund manager's valuation as at 31 March 2022 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 2022 £m	Manager's value 31 March 2022 £m	Difference £m
Equities	48.43		
Pooled investments	1,660.29		
Pooled liquidity	7.83		
Pooled property investments	321.10		
Private equity	726.56		
Other	(90.47)		
<b>Total</b>	<b>2,673.74</b>		

### 7 Contributions receivable

#### By category

2020/21 £'000		2021/22 £'000
30,337	Member's contributions	31,542
	<b>Employers' contributions</b>	
79,455	Normal contributions	74,040
27,588	Deficit recovery contributions	40,211
1,630	Augmentation contributions	2,391
<b>108,673</b>	<b>Total Employers' contributions</b>	<b>116,642</b>
<b>139,010</b>		<b>148,164</b>

## Supplementary Accounting Statements

### By type of employer

2020/21 £'000		2021/22 £'000
12,165	Administering authority	12,935
114,002	Scheduled bodies	121,974
5,377	Admitted bodies	5,820
7,466	Transferee admission body	7,455
<b>139,010</b>		<b>148,164</b>

### 8 Transfers in from other pension funds

2020/21 £'000		2021/22 £'000
6,556	Individual transfers from other pension funds	9,278
403	AVC to purchase scheme benefits	513
<b>6,959</b>		<b>9,791</b>

### 9 Benefits payable

#### By category

2020/21 £'000		2021/22 £'000
94,947	Pensions	98,371
16,893	Commutation and lump sum retirement benefits	19,926
2,405	Lump sum death benefits	4,263
<b>114,245</b>		<b>122,560</b>

#### By type of employer

2020/21 £'000		2021/22 £'000
12,169	Administering authority	13,095
91,516	Scheduled bodies	97,424
7,799	Admitted bodies	8,248
2,761	Transferee admission body	3,793
<b>114,245</b>		<b>122,560</b>

### 10 Payments to and on account of leavers

2020/21 £'000		2021/22 £'000
503	Refunds to members leaving service	857
6,043	Group transfers to other pension funds	7,210
9,563	Individual transfers to other pension funds	15,827
<b>16,109</b>		<b>23,894</b>

## Supplementary Accounting Statements

### 11 Management expenses

2020/21 £'000		2021/22 £'000
1,888	Administrative costs	2,274
<b>25,783</b>	Investment management expenses	<b>12,695</b>
52	Oversight and governance costs	86
<b>27,723</b>		<b>15,055</b>

#### a) Investment management expenses

2020/21 £'000		2021/22 £'000
15,846	Management fees	
8,250	Performance fees	
1,424	Transaction costs	
<b>25,520</b>		
263	Custody fees	
<b>25,783</b>		

### 12 Investment income

2020/21 £'000		2021/22 £'000
11,113	Income from equities	10,825
3,004	Income from bonds	1,253
8,196	Private equity income	10,039
6,423	Pooled property investments	8,937
125	Pooled investments - unit trusts & other managed funds	0
116	Interest on cash deposits	25
<b>28,977</b>	<b>Total before taxes</b>	<b>31,079</b>

### 13 Other fund account disclosures

#### a) Taxes on income

2020/21 £'000		2021/22 £'000
(394)	Withholding tax - equities	(179)
110	Withholding tax - pooled property investments	131
<b>(284)</b>		<b>(48)</b>

#### b) External audit costs

2020/21 £'000		2021/22 £'000
11	Payable in respect of external audit	35
<b>11</b>		<b>35</b>

## Supplementary Accounting Statements

### 14 Investments

Market value 31 March 2021 £'000		Market value 31 March 2022 £'000
	<b>Investment assets</b>	
42,986	Equities	48,431
1,517,667	Pooled investments	1,660,290
84,048	Pooled liquidity funds	7,831
293,617	Pooled property investments	321,096
561,980	Private equity	726,558
	Derivative contracts:	
475	- Forward currency contracts	0
17,149	Cash deposits	10,869
972	Investment income due	802
0	Amounts receivable for sales	31,050
<b>2,518,894</b>	<b>Total investment assets</b>	<b>2,806,927</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(3,111)	- Forward currency contracts	0
(133,191)	- Longevity Insurance Policy	(133,191)
(0)	Amounts payable for purchases	0
<b>(136,302)</b>	<b>Total investment liabilities</b>	<b>(133,191)</b>
<b>2,382,592</b>	<b>Net investment assets</b>	<b>2,673,736</b>

## Supplementary Accounting Statements

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

	Market value 1 April 2021	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 2022
	£'000	£'000	£'000	£'000	£'000
Equities	42,986	0	(631)	6,076	48,431
Pooled investments	1,517,667	126,779	(133,754)	149,598	1,660,290
Pooled liquidity funds	84,048	151,945	(228,160)	(2)	7,831
Pooled property investments	293,617	0	0	27,479	321,096
Private equity	561,980	156,473	(76,641)	84,746	726,558
	<b>2,500,298</b>	<b>435,197</b>	<b>(439,186)</b>	<b>267,897</b>	<b>2,764,206</b>
Derivative contracts:					
- Forward currency contracts	(2,636)	35,365	(17,385)	(15,344)	0
- Longevity insurance policy	(133,191)	8,080	0	(8,080)	(133,191)
	<b>2,364,471</b>	<b>478,642</b>	<b>(456,571)</b>	<b>244,473</b>	<b>2,631,015</b>
Other investment balances:					
- Cash deposits	17,149			13,435	10,869
- Investment income due	972				802
Amounts payable for purchases	(0)				0
Amounts receivable for sales	0				31,050
<b>Net investment assets</b>	<b>2,382,592</b>			<b>257,908</b>	<b>2,673,736</b>

## Supplementary Accounting Statements

	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
	<b>2,110,317</b>	<b>1,289,112</b>	<b>(1,246,420)</b>	<b>347,289</b>	<b>2,500,298</b>
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)
	<b>1,957,524</b>	<b>1,341,330</b>	<b>(1,300,992)</b>	<b>366,609</b>	<b>2,364,471</b>
Other investment balances:					
- Cash deposits	35,724			11,498	17,149
- Investment income due	2,051				972
Amounts payable for purchases	0				(0)
<b>Net investment assets</b>	<b>1,995,299</b>			<b>378,107</b>	<b>2,382,592</b>

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

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

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

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### 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 2021 £'000	% of total fund	Market value 31 March 2022 £'000	% of total fund
Longevity Insurance Policy	(133,191)	(5.7)	(133,191)	(5.0)
LPPI Infrastructure	103,998	4.4	190,439	7.1
LPPI Global Equities Fund	1,092,924	46.4	1,266,375	47.3
LPPI Credit Investments LP	259,492	11.0	301,752	11.3
LPPI Real Estates ACS	185,558	7.9	210,862	7.9

### c) Investments analysed by fund manager (continued)

Market value at 31 March 2021 £'000	% of Market value 31 March 2021 %		Market value at 31 March 2022 £'000	% of Market value 31 March 2022 %
<b>Fund Type</b>				
<b>Investment managed within LPPI asset pools</b>				
259,492	10.9	LPPI Credit	301,752	11.3
185,558	7.8	LPPI Real Estates	210,862	7.9
1,092,924	45.9	LPPI Global Equities	1,266,375	47.4
68,410	2.9	LPPI Fixed Income	79,113	3.0
91,709	3.8	LPPI Diversifying Strategy	0	0.0
103,998	4.4	LPPI Infrastructure	190,439	7.1
52,197	2.2	LPPI Private Equity	116,179	4.3
<b>1,854,288</b>	<b>77.8</b>		<b>2,164,720</b>	<b>81.0</b>



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Market value at 31 March 2021 £'000	% of Market value 31 March 2021 %		Market value at 31 March 2022 £'000	% of Market value 31 March 2022 %
		<b>Fund Type</b>		
		<b>Investments managed outside asset pool:</b>		
38,610	1.6	Gresham House Asset Management Limited	43,874	1.6
		Equities		
4,376	0.2	Technology Enhanced Oil Limited	4,557	0.2
		Equities		
3,781	0.2	Cheyne Capital Management LLP	3,570	0.1
		Pooled Investment		
0	0.0	BlackRock	4,957	0.2
		Pooled Investment		
0	0.0	Select Market	3,915	0.1
		Pooled Investment		
1,255	0.1	Securis Investment Partners LLP	512	0.0
		Pooled Investment		
96	0.0	SPL Guernsey ICC Ltd	96	0.0
		Pooled Investment		
17,321	0.7	Northern Trust	1,321	0.0
		Pooled Liquidity		
45,811	1.9	JPM Asset Management	0	0.0
		Pooled Liquidity		
3,409	0.1	Legal & General	0	0.0
		Pooled Liquidity		
17,508	0.7	Aviva	6,510	0.2
		Pooled Liquidity		
8,910	0.4	Jones Lang LaSalle	6,237	0.2
		Pooled Property		
62,312	2.6	LaSalle Investment Management (Jersey) Limited	72,181	2.7
		Pooled Property		
36,837	1.5	Milltrust International LLP	31,816	1.2
		Pooled Property		
10,481	0.4	Athyrium Capital Management LP	7,631	0.3
		Private Debt		
10,843	0.5	Derwent Shared Equity LLP	6,584	0.2
		Private Debt		
12,724	0.5	Dorchester Capital Advisors, LLC	11,883	0.4
		Private Debt		
3,268	0.1	Grosvenor Capital Management L.P.	3,101	0.1
		Private Debt		
3,965	0.2	Neuberger Berman	1,775	0.1
		Private Debt		

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3,173	0.1	Partners Group	Private Debt	2,676	0.1
9,140	0.4	Rutland Partners LLP	Private Debt	4,241	0.2
9,677	0.4	WP Global Partners	Private Debt	9,539	0.4
45,811	1.9	Adams Street Partners	Private Equity	40,441	1.5

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Market value at 31 March 2021 £'000	% of Market value 31 March 2021 %		Market value at 31 March 2022 £'000	% of Market value 31 March 2022 %
		<b>Fund Type</b>		
		<b>Investments managed outside asset pool:</b>		
1,847	0.1	COREalpha Private Equity Partners Partnership Fund IV, L.P.	1,922	0.1
9,761	0.4	Coral Reef Capital	6,143	0.2
14,663	0.6	Future Planet Capital	19,270	0.7
9,805	0.4	Gresham House Asset Management Limited	12,147	0.5
591	0.0	Henderson Equity Partners	608	0.0
6,296	0.3	ICG PLC	5,485	0.2
9,104	0.4	Kuramo Capital	8,392	0.3
4,540	0.2	Longwall Venture Partners LLP	5,538	0.2
15,046	0.6	Neuberger Berman	16,915	0.6
		Private Infrastructure		
26,187	1.1	Milltrust International LLP	28,278	1.1
609	0.0	Organox	701	0.0
98	0.0	Orthoson	100	0.0
1,964	0.1	Longwall Ventures	1,964	0.1
462	0.0	Oxsonics Ltd	900	0.0
6,347	0.3	Pantheon Ventures	4,293	0.2
6,481	0.3	Partners Group	5,849	0.2
12,981	0.5	Sarona Asset Management Inc	14,241	0.5
1,915	0.1	South East Growth Fund	3,671	0.1
1,380	0.1	Stafford CP	1,484	0.1
1,447	0.1	BMO Global Asset Management	1,204	0.0
74,262	3.1	WP Global Partners	54,965	2.1
2,294	0.1	African Infrastructure Investment Managers Pty Ltd	1,803	0.1
12,948	0.5	Climate Fund Managers	16,073	0.6
		Private Infrastructure		

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63,020	2.6	Gresham House Asset Management Limited	Private Infrastructure	108,596	4.1
3,785	0.2	Macquarie Group	Private Infrastructure	968	0.0
1,300	0.1	Macquarie Infrastructure Partners Inc.	Private Infrastructure	2,239	0.1
<b>Market value at 31 March 2021</b>	<b>% of Market value 31 March 2021</b>			<b>Market value at 31 March 2022</b>	<b>% of Market value 31 March 2022</b>
<b>£'000</b>	<b>%</b>			<b>£'000</b>	<b>%</b>
		<b>Investments managed outside asset pool:</b>	<b>Fund Type</b>		
7,572	0.3	The Rohayton Group (TRG)	Private Infrastructure	8,320	0.3
-2,636	-0.1	Cambridge Strategy Ltd	Forward Currency Contracts	0	0
<b>643,374</b>	<b>27</b>			<b>599,486</b>	<b>22.2</b>
		<b>Other</b>			
-133,191	-5.6	Longevity Insurance Policy		-133,191	-4.9
17,149	0.7	Cash with investment managers		10,869	0.4
0	0	Amount receivable for sales		31,050	1.2
0	0	Amount payable for purchases		0	0
972	0	Investment income due		802	0.1
<b>-115,070</b>	<b>-4.8</b>			<b>-90,470</b>	<b>-3.2</b>
<b>2,382,592</b>	<b>100</b>	<b>Total</b>		<b>2,673,736</b>	<b>100</b>

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

## Supplementary Accounting Statements

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

	Asset value £'000	Liability value £'000
Open forward currency contracts at 31 March 2022	0	0
<b>Net forward currency contracts at 31 March 2022</b>		<b>0</b>
Prior year comparative		
Open forward currency contracts at 31 March 2021	475	(3,111)
<b>Net forward currency contracts at 31 March 2021</b>		<b>(2,636)</b>

### 16 Fair value – Basis valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid values on published exchanges	Not required	Not required

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<b>Forward foreign exchange derivatives</b>	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
<b>Pooled investments - unit trusts</b>	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
<b>Unquoted bonds</b>	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing 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
<b>Pooled investments - property funds</b>	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing 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
<b>Unquoted equity</b>	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

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### 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 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private equity	4.7%	726,558	760,874	692,242
Property funds	18.1%	321,096	380,467	261,725
<b>Total</b>		<b>1,047,654</b>	<b>1,141,341</b>	<b>953,967</b>

#### 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 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit and loss	51,705	1,660,290	1,052,211	2,764,206
Financial liabilities at fair value through profit and loss	0	0	(133,191)	(133,191)

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Cash deposits	10,869	0	0	10,869
Investment due	802	0	0	802
Amounts receivable for sales for purchases	31,050	0	0	31,050
<b>Net investment assets</b>	<b>94,427</b>	<b>1,660,290</b>	<b>919,020</b>	<b>2,673,736</b>

Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	122,658	1,518,142	859,973	2,500,773
Financial liabilities at fair value through profit and loss	0	(3,111)	(133,191)	(133,191)
Cash deposits	17,149	0	0	17,149
Investment due	972	0	0	972
Amounts receivable for sales for purchases	(0)	0	0	(0)
<b>Net investment assets</b>	<b>140,779</b>	<b>1,515,031</b>	<b>726,782</b>	<b>2,382,592</b>

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

	Market value 31 March 2021 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/(losses) £'000	Realised gains/(losses) £'000	Market value 31 March 2022 £'000
Unquoted equity	4,376	0	0	181	0	4,557
Private equity	561,980	156,473	(76,641)	49,373	35,373	726,558
Pooled property	293,617	0	0	27,479	0	321,096
Longevity insurance policy	(133,191)	8,080	0	(8,080)	0	(133,191)
	<b>726,782</b>	<b>164,553</b>	<b>(76,641)</b>	<b>68,953</b>	<b>35,373</b>	<b>919,020</b>



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### a) Reconciliation of fair value measurements within level 3 (continued)

	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	606,868	63,700	(75,671)	(65,372)	33,455	561,980
Pooled property	292,107	200,242	(205,436)	(58,719)	65,423	293,617
Longevity insurance policy	(121,829)	8,704	0	(20,666)	0	(133,191)
	<b>726,782</b>	<b>277,022</b>	<b>(285,525)</b>	<b>(107,031)</b>	<b>63,831</b>	<b>726,782</b>



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

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

#### Risk and risk management

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

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

#### a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

#### 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.

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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 2022/23 reporting period:

<b>Asset type</b>	<b>Potential market movements (+/-)</b>
<b>Bonds</b>	7.6%
<b>Equities:</b>	
Listed	20.9%
Unlisted	28.2%
<b>Private Equity:</b>	
Equity	28.2%
Credit	7.6%
Infrastructure	17.5%
<b>Pooled Investments:</b>	
Equity	20.9%
Bonds	5.4%
Credit	7.6%
Diversifying strategies	10.4%
<b>Pooled Property Funds</b>	18.5%

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):

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Asset type	Value as at 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
<b>Equities:</b>				
Unlisted	48,431	13,667	62,098	34,764
<b>Pooled Investments:</b>				
Equity	1,266,471	264,439	1,530,910	1,002,032
Bonds	84,070	4,540	88,610	79,530
Credit	305,322	23,296	328,618	282,026
Diversifying strategies	4,427	460	4,887	3,967
<b>Pooled liquidity funds</b>	7,831	-	7,831	7,831
<b>Pooled Property Funds</b>	321,096	59,371	380,467	261,725
<b>Private Equity:</b>				
Equity	350,690	98,965	449,655	251,725
Credit	47,430	3,619	51,049	43,811
Infrastructure	328,438	57,345	385,783	271,093
<b>Net derivative liabilities</b>	(133,191)	-	(133,191)	(133,191)
<b>Cash deposits</b>	10,869	-	10,869	10,869
<b>Investment income due</b>	802	-	802	802
<b>Amount receivable for sales</b>	31,050	-	31,050	31,050
<b>Current assets:</b>				
Debtors	10,027	-	10,027	10,027
Cash balances	6,309	-	6,309	6,309
<b>Current liabilities</b>	(4,364)	-	(4,364)	(4,364)
<b>Total</b>	<b>2,685,708</b>		<b>3,211,410</b>	<b>2,160,006</b>

Asset type	Value as at 31 March 2021	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
<b>Equities:</b>				
Unlisted	42,986	13,837	56,823	29,149
<b>Pooled Investments:</b>				
Equity	1,093,019	223,850	1,316,869	869,169
Bonds	68,410	5,897	74,307	62,513
Credit	263,273	26,485	289,758	236,787
Diversifying strategies	92,965	9,585	102,550	83,380
<b>Pooled liquidity funds</b>	84,048	-	84,048	84,048
<b>Pooled Property Funds</b>	293,617	53,203	346,821	240,414
<b>Private Equity:</b>				
Equity	303,791	97,790	401,582	206,001
Credit	63,273	6,365	69,638	56,907
Infrastructure	194,916	34,500	229,416	160,416
<b>Net derivative liabilities</b>	(135,827)	-	(135,827)	(135,827)
<b>Cash deposits</b>	17,149	-	17,149	17,149
<b>Investment income due</b>	972	-	972	972
<b>Current assets:</b>				
Debtors	13,902	-	13,902	13,902
Cash balances	7,493	-	7,493	7,493
<b>Current liabilities</b>	(3,780)	-	(3,780)	(3,780)
<b>Total</b>	<b>2,400,207</b>		<b>2,871,721</b>	<b>1,928,693</b>

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### 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 2022 and 31 March 2021 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 31 March 2022	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	7,831	0	0
Investments - Cash deposits	10,869	0	0
Current assets - Cash balances	6,309	0	0
<b>Total change in assets available</b>	<b>25,010</b>	<b>0</b>	<b>0</b>

Asset exposed to interest rate risk	Value as at 31 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
<b>Total change in assets available</b>	<b>108,690</b>	<b>0</b>	<b>0</b>

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### Interest rate risk sensitivity analysis

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2022	Effects on income values	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash balances / cash and cash equivalents	25	25	25
Bonds	1,253	1,253	1,253
<b>Total change in assets available</b>	<b>1,278</b>	<b>1,278</b>	<b>1,278</b>

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2021	Effects 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
<b>Total change in assets available</b>	<b>3,120</b>	<b>3,121</b>	<b>3,119</b>

The analysis assumes that all variables, in particular exchange rates, remain constant, and shows the effect in the year on net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed bonds but will reduce their fair value and vice-versa. Changes in interest rates do not impact on the value of cash/cash 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 2022/23.

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.

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Denominated currency	Value as at 31 March 2022 £'000	Potential volatility (+/-)	Value on increase £'000	Value on decrease £'000
AUD	16,862	6.8%	18,008	15,715
CAD	0	6.4%	0	0
CHF	0	6.5%	0	0
EUR	6,068	5.6%	6,408	5,728
JPY	23	7.7%	25	21
NOK	183	9.9%	201	165
NZD	14,960	6.8%	15,977	13,943
USD	307,706	6.7%	328,291	287,120
<b>Total</b>	<b>345,802</b>		<b>368,910</b>	<b>322,692</b>

Denominated currency	Value as at 31 March 2021 £'000	Potential volatility (+/-)	Value on increase £'000	Value on decrease £'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
<b>Total</b>	<b>562,463</b>		<b>642,859</b>	<b>482,069</b>

### b) Credit risk

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

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

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

The Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £25.01m (31 March 2021: £108.7m). This was held with the following institutions:



## Supplementary Accounting Statements

	Rating	Balances as at 31 March 2021 £'000	Balances as at 31 March 2022 £'000
<b>Money Market funds</b>			
Aviva	AAA	17,508	6,510
JP Morgan	AAA	45,811	0
Legal & General	AAA	3,409	0
Northern Trust	AAA	17,321	1,321
<b>Bank deposit accounts</b>			
JP Morgan	AA-	17,149	10,869
<b>Bank current accounts</b>			
Lloyds	A+	7,493	6,309
<b>Total</b>		<b>108,691</b>	<b>25,010</b>

### c) Liquidity risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2022 the value of illiquid assets was £xxx.xm, which represented x.x% of the total fund net assets (31 March 2021: £855.6m, which represented 36.4% 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;

## Supplementary Accounting Statements

- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

At the 2019 actuarial valuation, the Fund was assessed as 78% funded (73% at the March 2016 valuation). This corresponded to a deficit of £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.

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Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2022 was £x,xxxm (31 March 2021: £5,471m). The net assets available to pay benefits as at 31 March 2022 was £x,xxxm (31 March 2021: £2,390m). The implied Fund deficit as at March 2022 was therefore £x,xxxm (31 March 2021: £3,081m).

### 20 Actuarial present value of promised retirement benefits

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 2021		31 March 2022
£'000		£'000
2,158	Contributions due - employees	2,716
7,164	Contributions due - employers	6,347
4,580	Sundry debtors	964
<b>13,902</b>	<b>Debtors</b>	<b>10,027</b>
7,493	Cash balances	6,309
<b>21,395</b>		<b>16,336</b>

#### Analysis of debtors

31 March 2021		31 March 2022
£'000		£'000
9,562	Other local authorities	6,734
4,320	Other entities and individuals	3,293
<b>13,902</b>		<b>10,027</b>

### 22 Current liabilities

31 March 2021		31 March 2022
£'000		£'000
(3,594)	Sundry creditors	(4,230)
(186)	Benefits payable	(134)
<b>(3,780)</b>		<b>(4,364)</b>

#### Analysis of creditors

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31 March 2021 £'000		31 March 2022 £'000
(2,047)	Central government bodies	(1,102)
(1,530)	Other local authorities	(1,516)
(3,263)	Other entities and individuals	(1,746)
<b>(3,780)</b>		<b>(4,364)</b>

### 23 Additional voluntary contributions

Market value 31 March 2021 £'000		Market value 31 March 2022 £'000
13,357	Central government bodies	13,357
6	Other local authorities	7
18	Other entities and individuals	18
<b>13,381</b>		<b>13,382</b>

AVC Contributions of £x.xm were paid directly to Prudential during the year (2020/21: £1.630m).

### 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 £2.274m (2020/21: £1.888m) 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 £12.9m (2020/21: £12.2m).

#### 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.

### 24 Related party transactions

#### 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 Executive Director of Resources, the Head of Finance and the interim Head of Pension Fund (up to 30 September 2021) and Head of Pension Fund (from 1 September 2021). Their remuneration is set out below.

2020/21 £'000		2021/22 £'000
87	Short-term benefits	206
12	Post-employment benefits	38
<b>99</b>		<b>244</b>

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### 25 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 totalled £278.743m (31 March 2021: £349.324m).

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.

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## Independent Auditor's Report

The auditor's report will be added on closure of the audit

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## Glossary of Terms

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

### **Accounting Policies**

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

### **Accruals**

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

### **Actuarial Gains and Losses**

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

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Community Assets**

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

### **Classes of Tangible Assets**

Operational Assets:

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

Non Operational Assets:

Investment property, Assets under construction and Surplus assets for disposal

### **Contingent Asset or Liability**

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

### **Creditors**

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

### **Defined Benefit Scheme**

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

### **Debt**

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

## Supplementary Accounting Statements

### **Debtor**

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

### **Depreciation**

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

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

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

### **Fair value**

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

### **Finance Lease**

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Interest Costs (Pensions)**

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

### **Investments**

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

### **Investment Properties**

Interest in land and / or buildings :

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

### **Liquid Resources**

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

### **Minimum Revenue Provision**

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



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### **Net Debt**

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

### **Net Book Value**

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

### **Net Current Realisable Costs**

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

### **Net Realisable Value**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Past Service Costs**

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

### **Precepts**

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

### **Prior Period Adjustments**

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

### **Prudence**

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

### **Related Parties**

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

### **Related Party Transaction**

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

### **Remuneration**

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

## Supplementary Accounting Statements

### Reserves

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

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

### Residual Value

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

### Retirement Benefits

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

### Revenue Expenditure funded from Capital under Statute

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

### Inventories

These comprise the following :-

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

### Tangible Property, plant & equipment

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

### Total Cost

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

### Useful Life

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