



# **The Royal Borough of Windsor and Maidenhead**

## **Financial statements – 2022-23**

# The Royal Borough of Windsor and Maidenhead

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Royal Borough  
of Windsor &  
Maidenhead








# 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. The funeral of Queen Elizabeth II in September 2022 brought significant focus on the Borough and drew in significant crowds to the area.

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: People and Place

Icon image	Key facts
	The 2021 Census reports that <b>153,500</b> people live in the borough, with: <ul style="list-style-type: none"> <li>• <b>18%</b> aged <b>0-14 years</b>.</li> <li>• <b>64%</b> aged <b>15-64 years</b>.</li> <li>• <b>18%</b> aged <b>65+ years</b>.</li> </ul> The <b>estimated median age</b> of the local population is <b>42.4 years</b> (2021, ONS).
	The 2021 Census reports that <b>79.8%</b> of the local population is <b>White</b> . The borough has a higher <b>Asian/Asian British or Asian Welsh population (13.1%)</b> than the Southeast (7%) and England (9.6%).
	<ul style="list-style-type: none"> <li>• <b>Life expectancy at birth is 81.8 (males)</b> ↑ SE average (80.6) and England average (79.4)</li> <li>• <b>Life expectancy at birth is 84.7 (females)</b> ↑ SE average (84.1) and England average (83.1) (2018-20, ONS)</li> </ul>
	The borough has a <b>Score of 8.4</b> on the <b>Index of Multiple Deprivation (IMD 2019)</b> ↓ SE (15.5) and England (21.7) (MHCLG). However, the borough has some areas ranked as <b>most deprived</b> (scores 1-4).
	There is an estimated <b>783 people per sq.km</b> (2021, ONS)
	The <b>median price of a property is £527,000</b> ↑ SE (£370,000) and England (£275,000) (Dec-22, ONS)
	<ul style="list-style-type: none"> <li>• <b>84.7%</b> of those aged 16-64yrs are <b>economically active</b> ↑ SE (80.7%) and England (78.7%)</li> <li>• <b>82.5%</b> of economically active <b>employed</b> ↑ SE (78.1%) and England (75.8%)</li> <li>• <b>2.6%</b> of economically active <b>unemployed</b> ↓ SE (3.1%) and England (3.6%) (Dec-22, APS, ONS)</li> </ul>

## 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 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.

## **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 a suite of 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.



### What residents think

The last RBWM Residents' Survey was 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, and helps inform the council's organisational improvements as part of our commitment to being "A council trusted to deliver its promises".

The full results of the Survey are available on the council's website, including details of survey sample-size and the profile of residents surveyed. Headline results from the survey showed that residents' perceptions of the council are high, and above the Local Government Association national benchmarks on trust and satisfaction with the council and value for money:

- **70%** of respondents said they had a **fair amount or a great deal of trust in the council** - above the LGA benchmark of 58% and slightly higher than the 2018 Residents' Survey (68%).
- **66%** of respondents were **very or fairly satisfied with the way the council runs things** – above the LGA benchmark of 63% but a decrease from the 2018 Residents' Survey (74%).
- **52%** of respondents **agree that the council provides value for money** – higher than the LGA benchmark of 45% but lower than the 2018 Residents' Survey (63%).

### Context to the Narrative Report and performance information

The Statement of Accounts, including the narrative report, were prepared before we identified significant issues affecting the financial wellbeing and resilience of the Council, including material issues detailed in note 6. As set out in the Statement of Responsibilities, it has not been possible to update the Statement of Accounts to correct for the issues identified, due to the time available before the statutory backstop date of 13 December 2024 for the publication of the Council's accountability statements. The narrative report therefore reflects the position in 2022, before adjustment for these issues.



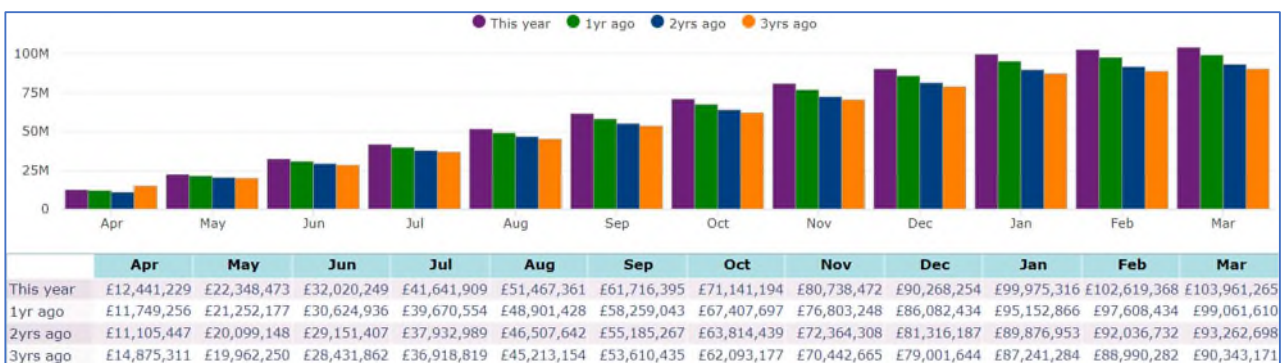
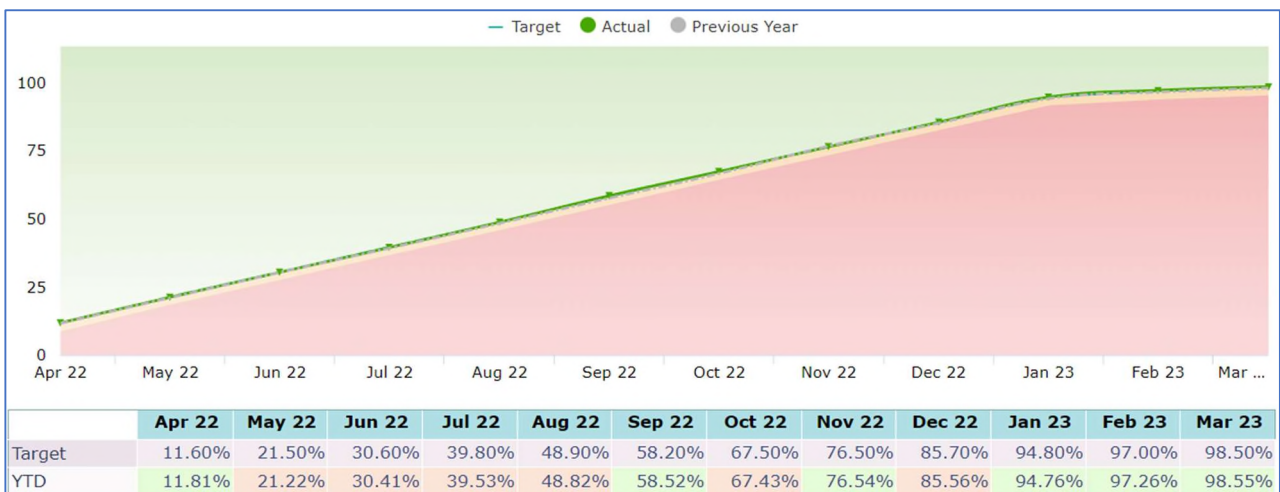
## Our performance

Following the adoption of the Corporate Plan 2021-26 in November 2021, we report performance and progress against Corporate Plan goals through our online Citizens' Portal to strengthen our transparency and accountability to Elected Members, the public and stakeholders. More measures and actions will be added to this site over the course of the Plan's life. The Corporate Overview & Scrutiny Panel has overarching responsibility for scrutinising progress on delivery of the Corporate Plan and wider council performance and receives routine performance reports focusing on areas of concern and areas of progress.

## Collection Fund

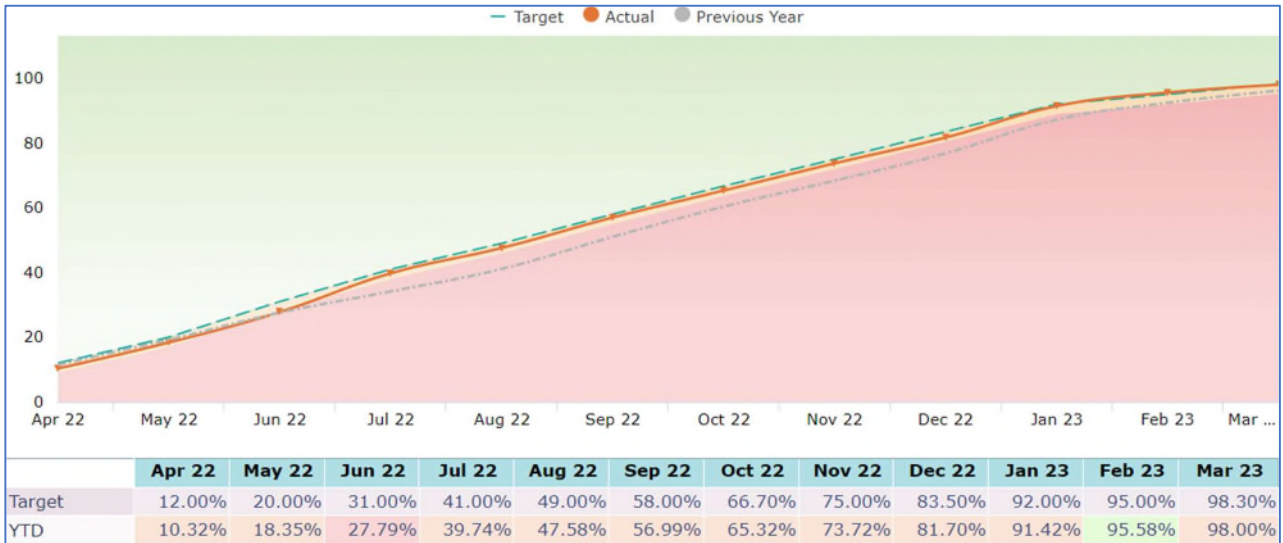
Most of our spending relies on collecting council tax and business rates. Our budgeted share of these two precepts was £96.81m in 2022/23. Collection rates are therefore closely managed.

## Council Tax Collection



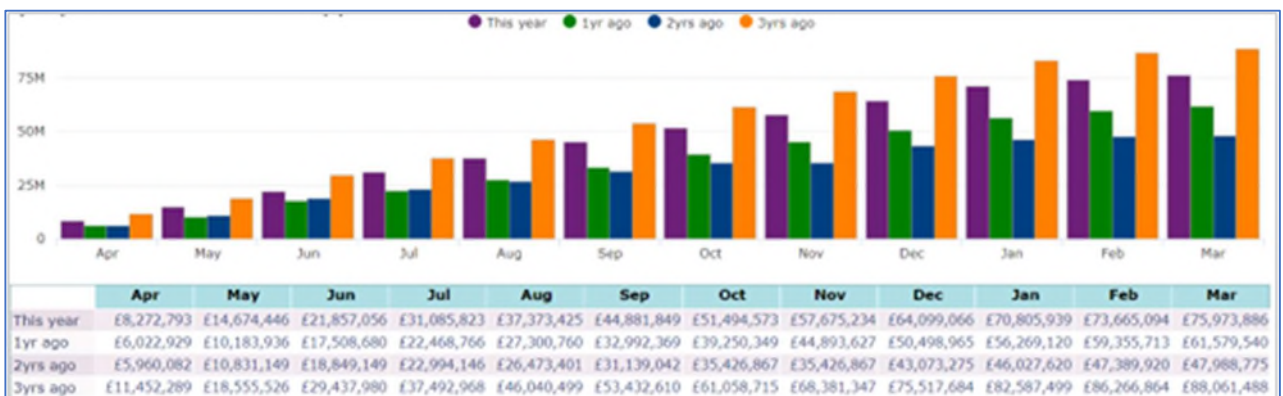
A total of £103.96m of council tax has been collected in-year, equating to a collection rate of 98.55% against a target collection rate of 98.5%.

## Non-domestic Rates Collection



Business rate collection was £75.97m equating to a collection rate of 98.0% against a target collection rate of 98.3%.

Central government announced that with effect from 1 April 2022, a new scheme of business rates relief would apply to qualifying businesses i.e., those in Retail, Hospitality and Leisure. The relief available would be limited to 50% and be subject to a “cash cap” which would limit the amount of relief available. The Royal Borough provided £7.3m in this relief to local businesses.



Our share of the collection fund deficit for business rates as at 31<sup>st</sup> March 2023 is £6.91m. This is partly offset by our share of the section 31 grant received during 2022/23.

Businesses continue to recover from the effects of the pandemic and the impact that the withdrawal of government support may have been unknown at this time. However, 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 the council has £1.594m balance set aside in reserves to try to mitigate the impact and smooth inherent volatility in the collection fund.

## Financial Performance 2022/23

### 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.

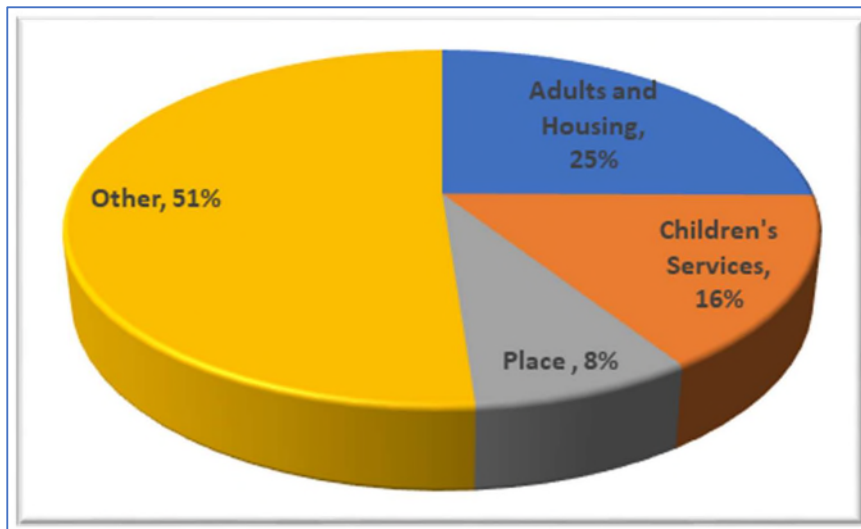
An increasing proportion of expenditure is being spent on services that support individual and vulnerable people. We will strive to achieve the best outcomes for residents achieving the best value for money.

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.

## Financial Planning

### Revenue Outturn 2022/23

Our final net revenue service budget for 2022/23 was £92.382m. The allocation of this budget amongst broad service areas is set out in the chart below:



We reported a £1.460m underspend against the revenue budget for the year 2022/23 which has allowed the Council to strengthen reserves to more comprehensively cover potential financial risks. The outturn reflects the continued pressure in Adult Social Care, in particular from an increased number of residential placements that is likely linked to the covid pandemic. In Place, parking income was still recovering from the pandemic in the early part of the year, and the inflation on utility costs has put pressure on many Council contracts, especially the leisure contract. In addition, the impact of the national transfer scheme for unaccompanied asylum-seeking children continues to place pressures on the Children's service budget. The table below details outturn by service area as reported (before the items discussed in note 6 to the financial statements).

Original budget		Revised budget	Outturn (income) / expenditure	Over (under) spend
£000		£000	£000	£000
279	Chief Executive Department	279	285	6
3,625	Governance, Law, Strategy & Public Health	3,665	2,910	(755)
27,145	Children's Services	26,839	27,142	303
40,546	Adults, Health, and Housing	42,802	44,027	1,225
4,876	Resources	5,675	4,993	(682)
13,147	Place	13,572	14,232	660
<b>89,618</b>	<b>Total service expenditure</b>	<b>92,832</b>	<b>93,589</b>	<b>757</b>
2,562	Contingency budget	1,808	(81)	(1,889)
(92,180)	Other funding and non-service expenditure	(94,640)	(94,968)	(328)
<b>(89,618)</b>	<b>Total funding and non-service expenditure</b>	<b>(92,832)</b>	<b>(95,049)</b>	<b>(2,217)</b>
-	<b>(Increase) in the general fund</b>	-	<b>(1,460)</b>	<b>(1,460)</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 Outturn 2022/23

Capital expenditure of £21.623m, was 72% below initial spending plans. Whilst there were net savings on completed projects, most of the variance related to unspent budgets slipped into 2023/24.

Planning consent and the current economic climate have led to delays in larger projects proceeding as anticipated, with 46% of capital schemes yet to start as of 31 March 2023. Expenditure budgets slipped into 2023/24 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 2023/24.

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	Slippage	Variances	Gross outturn
	£000	£000	£000	£000
Children's Directorate	11,140	(7,733)	(464)	2,943
Adult Social Care and Health	2,342	(1,711)	354	985
Place Directorate	24,339	(13,644)	(983)	9,712
Resources Directorate	38,449	(29,607)	(874)	7,968
Governance, Law & Strategy Directorate	290	(235)	-	55
<b>Total</b>	<b>76,560</b>	<b>(52,930)</b>	<b>(1,967)</b>	<b>21,663</b>

Of the slipped projects infrastructure and property schemes account for £28m, Neighbourhood services £5m, and £8m 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 regularly report our progress against these targets through the RBWM Citizen's portal and the latest information shows that we are due to meet our targets in relation to the council's emissions. We have established a local Climate Partnership to support the achievement of targets across the Borough and continue to work with partners to seek to achieve our ambitious targets.

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	2022/23 Maximum	31-Mar-23 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	£234m	£234m	£298m	£323m	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	2022/23 Actual	2022/23 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.78m	£2.58m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.78m	£2.50m	Yes

On 31 March 2023 cash holdings and short-term investments totalled £68.0m compared to £40.4m on 31 March 2022. Higher than usual balances were held at the end of the year due to borrowing being arranged to fix in favourable rates ahead of anticipated rises in interest rates.

On 31 March 2023, we had the following significant financial obligations (borrowing):

- Borrowing of £234m, comprising
  - £84m of Public Works Loan Board (PWLB) debt.
  - £120m of local authority debt.
  - £13m of LOBO debt.
  - £17m of debt relating to funds held on behalf of the Thames Valley Local Enterprise Partnership and other trusts.

Our overall average borrowing rate for the year was 2.12% (2021/22 1.57%).

### 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 Council in February 2023, is outlined below. This is before any adjustments for the matters discussed in note 6 to the financial statements.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Estimated expenditure	108,075	113,409	118,553	118,002	122,655
Estimated funding	(108,075)	(113,409)	(111,943)	(117,220)	(122,507)
<b>Gap between expenditure and funding</b>	-	-	<b>6,610</b>	<b>782</b>	<b>148</b>

### Financial Health of the Council as of 31 March 2023

The Council continues to face a challenging financial environment as inflation and interest rates have continued to rise and the Council faces continued increases in demand in the provision of its services whilst the amount that can be raised through Council Tax is limited by statute.

Subsequent to 31 March 2023, significant issues were identified affecting the financial wellbeing and resilience of the Council, as detailed in note 6. The Council commissioned reviews through the Chartered Institute of Public Finance and Accountancy (CIPFA) to include financial resilience review, systems and

processes and the governance arrangements for the wholly owned property company. The outcomes and recommendations of these reviews will inform the recovery and improvement plan. As at the date of approval of the Statement of Accounts, the Council is in discussions with the Ministry of Housing, Communities and Local Government for exceptional financial support.

## Reserves

The Council holds reserves:

- As a resource to mitigate against future unfavourable events
- Where grant funding is provided in advance and expenditure is incurred in successive years
- To build up a resource to fund a specific project.
- As a result of statutory accounting requirements pending future expenditure.

The level of earmarked reserves has fallen by £25.3m in 2022/23, mainly as a result of the grant funding arrangements for the grants given by government for Business Rates mitigation as a result of the support to offset the impact of the Covid-19 pandemic.

## Asset Values

The Council's Balance Sheet shows an improvement of £156.2m in the net assets of the Council, rising from £160.8m at 31 March 2022 to £317.0m at 31 March 2023. The two main factors that have generated the increase are:

Long term assets – increase of £18.5m	–	The Council has incurred expenditure on its non-current assets of £19.5m which has increased the carrying value of assets on the Balance Sheet. The Council also revalue its non-current asset over a five-year period to ensure that carrying values remain materially correct.
Pension Liabilities – reduction in liability of £158.4m	–	The recent increase in interest rates has increased the discount rate used to assess the current value of the Council's future pension liabilities. This has resulted in a significant reduction in pension liabilities. However, this change does not impact on the Council immediately as the amounts recorded in the Council's revenue accounts are governed by statute.

## 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 2022/23 which has not yet been charged to revenue. The process of charging the capital expenditure to revenue is a statutory requirement and is transacted through the Minimum Revenue Provision. The position for 2022/23 (before any adjustments for the matters discussed in note 6) is summarised in the Table below: -

	At 31 March 2022	At 31 March 2023
	£000	£000
Opening Balance at 1 April	216,275	231,975
Capital Investment	26,174	21,661
Capital Financing	(10,474)	(14,057)
<b>Closing CFR at 31 March</b>	<b>231,975</b>	<b>239,567</b>

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 £233.669m. 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 £40m 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 £9.5m 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. Reported Usable reserves (before any adjustments for the items discussed in note 6) consist of the following:

Usable Reserves	At 31 March 2022 £000	At 31 March 2023 £000
Available to fund capital investment (1)	17,108	27,118
Balances held on behalf of schools (2)	3,003	2,894
General fund working balance (3)	8,753	13,180
Earmarked reserves (4)	38,621	10,317
<b>Total Usable Reserves</b>	<b>67,485</b>	<b>53,511</b>

(1) These balances represent a combination of:

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

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

(3) The general fund working balance is for use against revenue costs. The balance as at the end of 2022/23 included £1.460m underspend from revenue out-turn for 2022/23.

(4) Earmarked reserves represent a valuable resource, so procedures are in place to ensure that:

- All proposals to use earmarked balances must be approved.
- An annual review takes place to confirm that the purpose of each reserve is still valid.
- Where a reserve is no longer required, the monies will be transferred to general reserves.

The net movement was £13.8m during 2022/23. Refer to note 10 for details of in-year movements.

## 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 2023 of £114.881m (31 March 2022: £273.325m). The improvement of £158.444m has arisen from a reduction in the present value of the obligation of £165.043m and offset by a reduction in the scheme assets of £6.599m. 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 2022/23.

## Looking Ahead

Like many councils, we are experiencing growth in demand for services. Likewise, the Council is subject to the pressures from inflation, recruitment, and retention, and post pandemic habits that most Councils face. Coupled with one of the lowest levels of Council Tax in the country that limits the ability of increases to raise funds, the Council needs to continue to be alert to financial risks.

The Local Government Funding Settlement for 2023/24 was again short term, with a direction of travel indicated for 2024/25. 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 2024/25. This short-term approach to funding hampers the ability of the Council to plan over the medium term.

#### **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 though these have been delayed from October 2023 but there is uncertainty about when they will be implemented.
- Increasing numbers and complexity of people supported in both Children's and Adult Social Care.
- 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.
- Increases in interest rates and servicing debt 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 though it did reduce in 2022/23. If the ringfence on this deficit is removed, it would be a significant detriment to the Council's finances.

As part of the annual budget setting process Council agreed its 2023/24 budget in February 2023. 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, this included:

- a net revenue budget of £108,075m that includes a further strengthening of reserves by £1m.
- Council Tax increases of 2.99% increasing the band D charge to £1,223.11 from £1,164.99; and
- new savings of £10.794m to be delivered by 31 March 2024.

Since the year-end, the Council has identified significant issues affecting its financial wellbeing and resilience, including the material issues detailed in note 6. The Council has commissioned reviews through the Chartered Institute of Public Finance and Accountancy (CIPFA) to include financial resilience review, systems and processes and the governance arrangements for the wholly owned property company. The outcomes and recommendations of these reviews will inform the recovery and improvement plan. The Council is in discussions with the Ministry of Housing, Communities and Local Government for exceptional financial support.

#### **An introduction to the 2022/23 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 2023. 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 2022/23 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.

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

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

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

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

The **Notes** provide more detail about accounting policies and individual transactions. Many items of account involve the use of **judgement and estimation techniques**. The most important of these are set out below:

<b>Property Plant and Equipment</b>	<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>
<b>Depreciation rates</b>	<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>
<b>Rating appeals</b>	<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>

<b>Pension liabilities</b>	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)
<b>Investment properties</b>	Investment properties have been valued using the Income approach (Previously known as the investment method) and are revalued on an annual basis.

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

**Julian McGowan**

**Assistant Director of Finance and Deputy Section 151 Officer**

**Date: 12 December 2024**

# 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 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 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 (s151 Officer)

The Executive Director of Resources (Section 151 Officer) is responsible for the preparation of the Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Financial Statements, the Chief Financial Officer is responsible for:

- Selecting suitable accounting policies and then applying them consistently.
- Making judgements and estimates that are reasonable and prudent.
- Complying with the Code.
- Keeping proper accounting records which are up to date.
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern.
- Using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- Maintaining 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.

As discussed in note 6 to the financial statements, during the 2023/24 financial statement close process, officers identified a number of issues in the Council's accounting records and processes. Officers undertook a balance sheet reconciliation and review process to identify adjustments required to correct the balance sheet position as at 31 March 2024 for the purposes of the 2023/24 financial statements.

Due to the local authority 'backstop', requiring publication of the final Statement of Accounts by 13 December 2024, and as this review was not designed to identify the correcting entries that would be required at previous balance sheet dates (due to the time and resource available), it has not been possible to update the financial statements for the issues identified, or for all matters identified by the auditors.

I certify that the Financial Statements gives a true and fair view of the financial position of the Authority at 31 March 2023 and of its income and expenditure for the year then ended, except for:

- The possible effect of adjustments to correct for the matters described in note 6, including consequent adjustments to the Comprehensive Income and Expenditure Statement, Cash Flow Statement, and Movement in Reserves Statement. These include adjustment for:
  - items within Property, Plant and Equipment (note 17) and Highways Infrastructure Assets (note 18) which do not meet the requirements of the Code to be capitalised.

- amounts within the capital financing requirement (note 23) which do not meet the requirements to be treated as capital of the Code and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.
  - items within the Collection Fund debtors (note 24) which are not recoverable balances; and
  - deferred income in respect of capital grants included within other short-term creditors (note 25), which do not have associated conditions, and which therefore should not be deferred.
- The Cash Flow Statement and its notes:
    - do not separately disclose payments to third parties, or repayments to funding bodies (in whole or in part) in in 2021/22 or 2022/23 of Covid grants for which the Council was acting as an agent (note 30). The Council had received £14.2m of Covid grant money held as an agent as at 31 March 2021.
    - presents receipts and repayments of borrowings on a net basis, rather than separately presenting them (note 30).
    - presents revaluation of non-current assets of £20.9m in note 28 for 2021/22, which is inconsistent with the amount presented in the Comprehensive Income and Expenditure Statement and elsewhere in the financial statements of £13.3m.

**Julian McGowan**

**Assistant Director of Finance and Deputy Section 151 Officer**

**Date: 12 December 2024**

# 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.

2021/22		2022/23			2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
83,301	(38,491)	<b>44,810</b>	Adults, Health & Housing		80,683	(40,476)	<b>40,207</b>
49	(13)	<b>35</b>	Chief Executive		324	(13)	<b>311</b>
120,509	(92,441)	<b>28,068</b>	Children's Services		125,217	(97,140)	<b>28,077</b>
219	(149)	<b>70</b>	Contingency & Corporate		70	(296)	<b>(226)</b>
8,891	(4,632)	<b>4,260</b>	Governance, Law and Strategy		14,027	(7,922)	<b>6,105</b>
47,545	(18,498)	<b>29,047</b>	Place		49,423	(21,368)	<b>28,054</b>
56,873	(47,931)	<b>8,942</b>	Resources		50,510	(46,498)	<b>4,012</b>
13,303	0	<b>13,303</b>	Revaluation movement on assets		20,319	0	<b>20,319</b>
<b>330,690</b>	<b>(202,155)</b>	<b>128,536</b>	<b>Total Cost of Services</b>		<b>340,573</b>	<b>(213,714)</b>	<b>126,859</b>
		<b>14,510</b>	Other Operating Expenditure	12			<b>6,327</b>
		<b>2,572</b>	Financing and Investment Income and Expenditure	13			<b>15,089</b>
		<b>(115,905)</b>	Taxation and Non-specific Grant Income	14			<b>(120,525)</b>
		<b>29,712</b>	<b>Deficit on Provision of Services</b>				<b>27,751</b>
			<b>Other Comprehensive Income and Expenditure</b>				
		(29,335)	Deficit/(Surplus) on revaluation of Property, Plant and Equipment				(24,087)
		(73,846)	Remeasurement of the net defined benefit liability/(asset)	38			(159,710)
		<b>(103,181)</b>	<b>Total Other Comprehensive Expenditure/(Income)</b>				<b>(183,797)</b>
		<b>(73,469)</b>	<b>Total Comprehensive Expenditure/(Income)</b>				<b>(156,046)</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.

2022/23	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 2022</b>	<b>(47,373)</b>	<b>(3,003)</b>	<b>(3,435)</b>	<b>(13,673)</b>	<b>(67,484)</b>	<b>(67,293)</b>	<b>(134,777)</b>
<b>Movement in Reserves during 2022/23</b>							
Total Comprehensive Income and Expenditure	27,751				27,751	(183,797)	(156,046)
Adjustments between accounting basis and funding basis under regulations (note 9)	(3,875)	109	(3,789)	(6,222)	(13,777)	13,777	0
<b>Net Increase/Decrease for year</b>	<b>23,876</b>	<b>109</b>	<b>(3,789)</b>	<b>(6,222)</b>	<b>13,974</b>	<b>(170,020)</b>	<b>(156,046)</b>
<b>Balance at 31 March 2023</b>	<b>(23,497)</b>	<b>(2,894)</b>	<b>(7,224)</b>	<b>(19,895)</b>	<b>(53,511)</b>	<b>(237,313)</b>	<b>(290,824)</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>(43,702)</b>	<b>(2,203)</b>	<b>(1,349)</b>	<b>(15,065)</b>	<b>(62,319)</b>	<b>2,382</b>	<b>(59,937)</b>
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Income and Expenditure	29,712	0	0	0	29,712	(103,181)	(73,469)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(32,012)	(800)	(2,087)	1,392	(33,507)	33,507	0
<b>Net Increase/Decrease before transfer to School Revenue Balances</b>	<b>(2,300)</b>	<b>(800)</b>	<b>(2,087)</b>	<b>1,392</b>	<b>(3,795)</b>	<b>(69,674)</b>	<b>(73,469)</b>
Other movements to/from Reserves	(1,372)	0	0	0	(1,372)	1	(1,371)
(Increase)/Decrease in 2021/22	(3,672)	(800)	(2,087)	1,392	(5,167)	(69,674)	(74,840)
<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>(67,292)</b>	<b>(134,777)</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 2022		Note	31 March 2023
£000			£000
417,077	Property, Plant & Equipment	17	419,283
85,557	Highways Infrastructure Assets	18	88,559
-	Heritage Assets	19	0
89,506	Investment Property	20	81,584
887	Intangible Assets	21	638
3,460	Long Term Investments	36	22,040
4,606	Long term Debtors	24	7,535
<b>601,094</b>	<b>Long Term Assets</b>		<b>619,639</b>
8,221	Short Term Investments	36	26,534
4,635	Assets held for sale		0
74,100	Short Term Debtors	24	62,504
32,982	Cash and Cash Equivalents	25	42,389
<b>119,938</b>	<b>Current Assets</b>		<b>131,427</b>
(659)	Bank Overdraft	25	(2,837)
(136,440)	Short Term Borrowings	36	(123,680)
(87,342)	Short Term Creditors	26	(83,574)
(2,917)	Short Term Provisions	27	(8,435)
<b>(227,358)</b>	<b>Current Liabilities</b>		<b>(218,526)</b>
(179)	Long Term Creditors	36	(177)
(5,053)	Long Term Provisions	26	0
(70,479)	Long Term Borrowing	36	(110,480)
(273,325)	Pension Liabilities	39	(114,881)
(9,859)	Grant Receipts in Advance		(16,179)
<b>(358,897)</b>	<b>Long Term Liabilities</b>		<b>(241,717)</b>
<b>134,777</b>	<b>Net Assets</b>		<b>290,824</b>
(67,485)	Usable Reserves	10	(53,511)
(67,292)	Unusable Reserves	11	(237,313)
<b>(134,777)</b>	<b>Total Reserves</b>		<b>(290,824)</b>

## Cashflow Statement

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

31 March 2022		Notes	31 March 2023
£000			£000
<b>(29,712)</b>	<b>Net (deficit) on the provision of services</b>		<b>(27,751)</b>
63,234	Adjustment to surplus or deficit on the provision of services for noncash movements	28	64,155
(7,139)	Adjust for items included in the net surplus or deficit on the provision of services that are investment and financing activities	28	(7,175)
<b>26,383</b>	<b>Net Cash flows from Operating Activities</b>		<b>29,229</b>
(20,644)	Net Cash flows from Investing Activities	29	(49,240)
14,675	Net Cash flows from Financing Activities	30	27,240
<b>20,414</b>	<b>Net increase in cash and cash equivalents</b>		<b>7,228</b>
11,909	Cash and cash equivalents at the beginning of the period	24	32,323
<b>32,323</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>39,551</b>

## Supplementary Accounting Statements

# NOTES TO THE FINANCIAL STATEMENTS

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# Supplementary Accounting Statements

## 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.

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.

### 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.



## Supplementary Accounting Statements

### 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.

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.

## Supplementary Accounting Statements

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 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.

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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 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

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

## Supplementary Accounting Statements

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
- 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.

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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.

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.

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### 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 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.

## Supplementary Accounting Statements

### 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

##### 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



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### 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 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.

### 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:

## Supplementary Accounting Statements

- 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.

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 & equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the GF balance in the movement in reserves statement.

### 20 Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (for example, bridges), street lighting, street furniture (for example, illuminated traffic signals, bollards), traffic management systems and

## Supplementary Accounting Statements

land which together form a single integrated network.

### Recognition

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

### Measurement

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

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

### Depreciation

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

Annual depreciation is the depreciation amount allocated each year.

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

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

### Disposals and derecognition

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

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

### 21 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

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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. 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.

### 22 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.

### 23 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.

### 24 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

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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.

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.

### 25 Accounting for Schools

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

### 26 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.

### 27 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.

### 28 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.

### 29 Council tax and non-domestic rates

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

#### Accounting for council tax and NDR

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

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

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

### **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.

#### **Leases**

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

#### **Agent vs Principal**

The Royal Borough transacts activity through its financial ledger where it considers that it is acting as an agent of a separate organisation rather than as a principal in the matter. As such, the activity does not form part of the Royal Borough's financial statements other than to recognise a debtor/creditor relationship for sums due or owed. There was one major area of activity in 2022/23 where the Royal Borough considered that it acted as an agent:

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

### **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.

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### Pension Liability

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

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 2021 and the value realised on disposal even within the next financial period. Given the range of different assumptions that could be applied the potential impact of differences in estimation cannot be quantified. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.

### Recovery of Amounts Due

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

### 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.

### Note 6 Events After the Reporting Period

The draft Statement of Accounts was authorised for issue by the Head of Finance and Interim section 151 officer on the 30 June 2023. The financial statements have been updated including for adjustments arising from the finalisation of the 2020/21 Statement of Accounts. As discussed below, not all events to the date of signing the final audited financial statements are reflected in the financial statements and notes. Other than as noted below, no further events have occurred which need to be reported here.

### Issues identified in the financial statements.



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The Code requires events taking place up to the date of signing the final audited financial statements be reflected in the financial statements and notes.

During the 2023/24 financial statement close process, officers identified a number of issues in the Council's accounting records and processes. Officers undertook a balance sheet reconciliation and review process to identify adjustments required to correct the balance sheet position as at 31 March 2024 for the purposes of the 2023/24 financial statements.

The review was not designed to identify issues at previous balance sheet dates, or to identify the required correcting entries at those dates. The review will therefore not necessarily have identified all adjustments required as at previous balance sheet dates and has not identified the correcting entries to the Comprehensive Income and Expenditure Statement, Cash Flow Statement or Movement in Reserves Statement required to enable the financial statements to be adjusted.

Due to the local authority 'backstop', requiring publication of the final Statement of Accounts by 13 December 2024, and as this review has not identified all correcting entries required, it has not been possible to update the financial statements for these matters, including any restatement required in respect of previous years.

The principal issues identified affecting the 2022/23 financial statements are:

- items within Property, Plant and Equipment (note 17) and Highways Infrastructure Assets (note 18) which do not meet the requirements of the Code to be capitalised.
- amounts within the capital financing requirement (note 23) which do not meet the requirements to be treated as capital of the Code and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.
- items within the Collection Fund debtors (note 24) which are not recoverable balances; and
- deferred income in respect of capital grants included within other short-term creditors (note 25), which do not have associated conditions, and which therefore should not be deferred.

Based upon the work performed, adjusting for these items would:

- reduce Property, Plant and Equipment and Highways Infrastructure Assets by £5.3m at 31 March 2021, £5.1m at 31 March 2022, and £6.0m at 31 March 2023 (notes 17 and 18).
- reduce Collection Fund debtors by £2.4m at 31 March 2022 and 31 March 2023 (note 23)
- [reduce other short-term creditors by £4.1m at 31 March 2023 (note 25).
- reduce the General Fund reserves by £10.9m at 31 March 2021, £14.0m at 31 March 2022 and £16.0m at 31 March 2023 (note 10).
- increase useable capital reserves (either the Capital Receipts Reserve or Capital Grants Unapplied Reserve) by £6.1m at 31 March 2021, £6.5m at 31 March 2022 and £12.0m at 31 March 2023 (note 10); and
- reduce the Capital Adjustment Account by £0.5m at 31 March 2021, increase the Capital Adjustment Account by £0.3m at 31 March 2022, and reduce the Capital Adjustment Account by £0.1m at 31 March 2023 (note 11).

### *Financial position of the Council*

The Council incurred a significant overspend during 2023/24, primarily in respect of adult social care and children's services, which has continued during 2024/25. Taken together with the impact of the issues identified in the balance sheet reconciliation and review process as at 31 March 2024 discussed above (which has identified additional adjustments required in respect of 2023/24), the Council is likely to have been in a negative general fund position as at 31 March 2024.

On 22 January 2024, the Leader of the Council and Cabinet Member for Finance wrote jointly to the Chancellor and Secretary of State setting out the risk of the council having to issue a statutory Section 114 notice. On 14 May 2024, the Chief Executive wrote to the Director General (Local Government Finance – MHCLG) requesting exceptional financial support. The Council is in discussions with the Ministry of Housing, Communities and Local Government for Exceptional Financial Support, to avoid the need to issue a Section 114 notice.

## Supplementary Accounting Statements

### 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.

2022/23	Net Expenditure in the CIES					Net Expenditure Chargeable to the General Fund Balance
Adjustments between the Funding and Accounting Basis	Capital	Pensions	Other Differences	Total Adjustments		
	£,000	£,000	£,000	£,000	£,000	£,000
Adults, Commissioning & Health	40,207	179	432	77	688	40,895
Chief executive	311	15,264	35	565	15,864	16,175
Children's Services	28,077	2,499	(1,333)	761	1,927	30,004
Contingency & Corporate	(226)	0	(145)	0	(145)	(371)
Governance, Law & Strategy	6,105	75	885	(1)	959	7,064
Place	28,054	8,594	684	1,308	10,586	38,640
Resources	4,012	2,134	1,337	241	3,714	7,724
Revaluation movement on assets (Note 5)	20,319	(20,319)	0	0	(20,319)	0
<b>Cost of Services</b>	<b>126,859</b>	<b>8,426</b>	<b>1,895</b>	<b>2,951</b>	<b>13,272</b>	<b>140,131</b>
Other income and expenditure	(99,108)	(34,764)	(3,161)	20,780	(17,145)	(116,253)
<b>(Surplus) or Deficit</b>	<b>27,751</b>	<b>(26,338)</b>	<b>(1,266)</b>	<b>23,731</b>	<b>(3,873)</b>	<b>23,878</b>

<b>Opening General Fund Balances</b>	<b>45,679</b>
Plus	(23,878)
Surplus/(Deficit)	
<b>Closing General Fund Balances</b>	<b>23,495</b>

#### Adjustments between the Funding and Accounting Basis

## Supplementary Accounting Statements

2021/22	Net Expenditure in the CIES					Net Expenditure Chargeable to the General Fund Balance
Adjustments between the Funding and Accounting Basis	Capital	Pensions	Other Differences	Total Adjustments		
	£,000	£,000	£,000	£,000	£,000	£,000
Adults, Commissioning & Health	(44,810)	177	403	961	1,541	(43,269)
Chief executive	(35)	2,624	36	9	2,670	2,635
Children's Services	(28,068)	183	3,998	274	4,455	(23,613)
Governance, Law & Strategy	(70)	0	700	324	1,024	954
Place	(4,260)	114	628	590	1,332	(2,928)
Resources	(29,047)	10,220	650	76	10,946	(18,101)
Contingency & Corporate	(8,942)	(12,524)	24	0	(12,500)	(21,442)
Revaluation movement on assets (Note 5)	(13,303)	13,303	0	0	13,303	0
<b>Cost of Services</b>	<b>(128,535)</b>	<b>14,097</b>	<b>6,440</b>	<b>2,234</b>	<b>22,771</b>	<b>(105,764)</b>
Other income and expenditure	98,824	481	6,175	3,956	10,612	109,436
<b>(Surplus) or Deficit</b>	<b>(29,712)</b>	<b>14,578</b>	<b>12,615</b>	<b>6,190</b>	<b>33,383</b>	<b>3,671</b>

<b>Opening General Fund Balances</b>	<b>43,702</b>
Plus Surplus/(Deficit)	3,671
<b>Closing General Fund Balances</b>	<b>47,373</b>

### Reconciliation from Out-turn to Consolidated Income & Expenditure Account

2022/23	Out-turn report	Adjustments for reserve movements and audit adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£,000	£,000	£,000
Adults, Commissioning & Health	44,027	(3,820)	40,207
Chief executives	285	26	311
Children's Services	27,142	935	28,077
Contingency & Corporate	(81)	(145)	(226)
Governance, Law & Strategy	2,910	3,195	6,105
Place	14,232	13,822	28,054
Resources	4,993	(981)	4,012
Revaluation movement on asset	0	20,319	20,319
	<b>93,508</b>	<b>33,351</b>	<b>126,859</b>

## Supplementary Accounting Statements

2021/22	Out-turn report	Adjustments. for reserve movements and audit adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£,000	£,000	£,000
Adults, Commissioning & Health	40,794	4,016	44,810
Chief executives	(2,700)	2,735	35
Children's Services	25,123	2,945	28,068
Contingency & Corporate	3,136	(3,066)	70
Governance, Law & Strategy	15,597	(11,337)	4,260
Place	7,551	21,496	29,047
Resources	(542)	9,484	8,942
Revaluation movement on asset	0	13,303	13,303
	88,959	39,576	128,535

### 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.

## Supplementary Accounting Statements

### Note 8 Expenditure and Income analysed by Nature.

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

2021/22		2022/23
£000		£000
	<b>Expenditure</b>	
82,036	Employee Benefits expenses	76,906
164,309	Other service expenses	178,630
22,969	Housing Benefit payments	21,888
30,140	Grants and Covid support	26,368
14,578	Depreciation and Amortisation	12,487
2,234	Revenue Expenditure funded from Capital under Statute	2,140
3,489	Interest Payments	7,923
7,070	Net Interest on the net defined benefit liability	4,824
0	Movement in the value of Investment Properties	4,540
13,303	Impairments	20,319
1,818	Precepts and Levies	1,927
12,692	Net Loss on the Disposal of Assets	3,304
<b>354,637</b>	<b>Total Expenditure</b>	<b>361,257</b>
	<b>Income</b>	
(37,600)	Fees, Charges, and other service income	(48,738)
(7,300)	Movement in the value of Investment Properties	0
(277)	Interest and Investment Income	(1,627)
(98,038)	Income from Council Tax & Business Rates	(97,449)
(181,710)	Government Grants & Contributions	(185,693)
0	Net Gain on Disposal of Assets	
<b>(324,925)</b>	<b>Total Income</b>	<b>(333,506)</b>
<b>29,712</b>	<b>Deficit on the Provision of Services</b>	<b>27,751</b>

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### 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.

2022/23	General Fund Balance £000	Capital Grants Unapplied £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Usable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
Charges for depreciation and impairment of non-current assets	(12,158)	0	0	0	(12,158)
Revaluation movements and impairments of non-current assets charge to the CIES	(20,319)	0	0	0	(20,319)
Movements in the market value of investment properties	(7,922)	0	0	0	(7,922)
Amortisation of intangible assets	(329)	0	0	0	(329)
Capital grants and contributions applied	0	0	0	0	0
Revenue expenditure funded from capital under statute	(2,140)	0	0	0	(2,140)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&E	(10,480)	0	0	0	(10,480)
Statutory provision for the financing of capital investment	3,020	0	0	0	3,020
Capital Grants & Contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	8,414	0	0	0	8,414
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CI&E	8,400	0	0	(8,400)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	2,178	2,178
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CI&E Statement	1,096	0	(1,096)	0	0
Transfer of proceeds resulting in Deferred Capital receipt	6,080	0	0	0	6,080
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	459	0	459
Transfer from the Deferred Capital Receipts Reserve on receipt of cash	0	0	(3,152)	0	(3,152)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement	(1,266)	0	0	0	(1,266)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	23,870	0	0	0	23,870
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements	(30)	0	0	0	(30)
<b>Adjustments primarily involving the Financial instrument adjustment account</b>					
Fair value adjustments for Financial instruments	(2)	0	0	0	(2)
<b>Adjustments primarily involving the Dedicated Schools Grant:</b>					

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Amount by which DSG related expenditure charged to the CIES is different to that chargeable in the year in accordance with statutory requirements	(109)	109	0	0	0
<b>Total Adjustments</b>	<b>(3,875)</b>	<b>109</b>	<b>(3,789)</b>	<b>(6,222)</b>	<b>(13,777)</b>

2021/22	General Fund Balance £000	Capital Grants Unapplied £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Usable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
Charges for depreciation and impairment of non-current assets	(14,578)	-	-	-	(14,578)
Revaluation movements and impairments of non-current assets charge to the CIES	(13,303)	-	-	-	(13,303)
Movements in the market value of investment properties	7,217	-	-	-	7,217
Gain on investment through asset swap with RBWM PropCo Ltd	84	-	-	-	84
Amortisation of intangible assets	0	-	-	-	0
Capital grants and contributions applied	5,155	-	-	-	5,155
Revenue expenditure funded from capital under statute	(2,238)	-	-	-	(2,238)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&E	(12,692)	-	-	-	(12,692)
Statutory provision for the financing of capital investment	2,920	-	-	-	2,920
Capital expenditure charged against revenue	400	-	-	-	400
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CI&E	4,759	-	-	(4,759)	-
Other Transfer	(1,402)	-	-	0	(1,402)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	6,151	6,151
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CI&E Statement	988	-	(988)	-	-
Transfer from the Deferred Capital Receipts Reserve on receipt of cash	-	-	(2,101)	-	(2,101)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,003	-	1,003
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement	(12,615)	-	-	-	(12,615)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,816	-	-	-	3,816
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements	(1,068)	-	-	-	(1,068)
<b>Adjustments primarily involving the Dedicated Schools Grant:</b>					
Amount by which DSG related expenditure charged to the CIES is different to that chargeable in the year in accordance with statutory requirements	(256)	-	-	-	(256)
Transfer to schools balances	800	(800)	-	-	-
<b>Total Adjustments</b>	<b>(32,013)</b>	<b>(800)</b>	<b>(2,067)</b>	<b>1,392</b>	<b>(33,507)</b>



## Supplementary Accounting Statements

### Note 10 Usable Reserves

31 March 2022		31 March 2023
£000		£000
(8,753)	General Fund	(10,213)
(38,620)	Earmarked Reserves	(13,284)
(3,003)	Schools revenue balances	(2,894)
(3,436)	Capital receipts reserve	(7,224)
(13,673)	Capital Grants unapplied	(19,895)
<b>(67,485)</b>	<b>Total Unusable Reserves</b>	<b>(53,511)</b>

### Earmarked Reserves

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

Earmarked Reserves	Balance at 31 March 2021	Net movement	Balance at 31 March 2022	Net movement	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Arts funding reserve	0	140	140	0	140
Better Care Fund	1,281	2,118	3,399	(2,745)	654
Brexit Reserve	299	(299)	0	0	0
Building control reserve	0	(69)	(69)	69	0
Business Rates Section 31 Grant Reserve	19,154	3,898	23,052	(22,180)	872
Business Rates Volatility Reserve	4,167	(973)	3,194	(1,600)	1,594
Collection Fund Compensation Reserve	4,626	(4,626)	0	0	0
CIL revenue reserve	0	329	329	129	458
Covid-19 General Reserve	4,380	(2,236)	2,144	(1,817)	327
Covid-19 Tranche Grant Reserve	0	0	0	0	0
Dedworth leisure centre	0	0	0	941	941
Dedicated Schools Grant Surplus	0	0	0	52	52
Grant funded future commitments reserve	0	2,928	2,928	(833)	2,095
Grave Maintenance Reserve	8	0	8	(0)	8
Homes for Ukraine	0	0	0	2,915	2,915
Insurance Reserve	901	0	901	24	925
Nature Reserve Maintenance Fund	123	0	123	(0)	123
Old Court Maintenance Reserve	18	(2)	16	0	16
Optalis Development Reserve	381	0	381	(0)	381
Property Reserve	600	(100)	500	(69)	431
Public Health Fund	511	77	588	363	951
Safeguarding Reserve	194	0	194	(194)	0
Schools Forum De Delegated School Reserves	0	547	547	(389)	158
Sensory Consortium Service	0	245	245	0	245
<b>Total</b>	<b>36,643</b>	<b>1,977</b>	<b>38,620</b>	<b>(25,336)</b>	<b>13,284</b>

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

#### 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.

## Supplementary Accounting Statements

### 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.

### 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.

### 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.

### Covid-19 General Reserve

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

### Optalis Development Reserve

Funds set aside for the business development of Optalis Ltd.

### 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.

### 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.

### Public Health Fund

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

### Sensory Consortium Service

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

## 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 2022		31 March 2023
£000		£000
(162,789)	Capital Adjustment Account	(130,435)
(210,238)	Revaluation Reserve	(227,400)
273,325	Pension Reserve	114,881
32,043	Collection Fund Adjustment Account	8,174
(4,606)	Deferred capital receipts reserve	(7,535)
2,926	Accumulated Absences Account	2,956
2,047	Dedicated Schools Grant	2,047
<b>(67,292)</b>	<b>Total Unusable Reserves</b>	<b>(237,313)</b>

## Supplementary Accounting Statements

### 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.

2021/22		2022/23
£000		£000
(173,798)	<b>Opening Balance</b>	(162,789)
	<b>Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
14,114	Charges for depreciation and impairment of non-current assets	12,194
-	- Impairment losses	4,819
13,303	Revaluation and impairment loss: Property, Plant & Equipment	15,500
464	Amortisation of Intangible Assets	293
(7,217)	Changes in the Fair Value of Investment Properties	7,922
(84)	Changes in the Fair Value of Financial Instruments	2
2,238	Revenue Expenditure funded from Capital under Statute	2,140
12,692	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	10,480
1	Gain on investment through asset swap with RBWM PropCo Ltd	0
<b>35,512</b>		<b>53,349</b>
(10,277)	Adjusting Amounts written out of the Revaluation Reserve	(6,925)
25,236	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>46,424</b>
	<b>Capital financing applied in the year</b>	
(1,003)	Use of the Capital Receipts Reserve to finance new capital expenditure	(459)
(5,155)	Capital Grants & Contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(8,414)
(6,151)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,178)
(2,920)	Provision for the financing of capital investment charged against the General Fund & HRA	(3,020)
(400)	Capital Expenditure Charged against the General Fund	0
<b>(15,629)</b>		<b>(14,070)</b>
1,402	Transfers	0
<b>(162,789)</b>		<b>(130,435)</b>

## Supplementary Accounting Statements

### 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.

2021/22		2022/23
£000		£000
<b>(191,180)</b>	<b>Opening Balance</b>	<b>(210,238)</b>
(94,992)	Upward Revaluation of assets	(44,942)
65,657	Downward Revaluation and impairment of assets	20,855
<b>(29,335)</b>	<b>Deficit / (Surplus) on the revaluation of non-current assets</b>	<b>(24,087)</b>
10,277	Difference between fair value depreciation and historical cost depreciation	2,980
-	Amounts written off to the Capital Adjustment Account	3,945
10,277	<b>Other</b>	6,925
<b>(210,238)</b>	<b>Balance at 31 March</b>	<b>(227,400)</b>

### 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.

2021/22		2022/23
£000		£000
<b>334,556</b>	<b>Balance at 1 April</b>	<b>273,325</b>
(73,305)	Re-measurement of the net defined liability	(159,710)
24,400	Reversal of items relating to retirement benefits credited to the Deficit on Provision of Services in the CIES	13,554
(12,326)	Employer's pension contributions and direct payments to pensioners payable in the year	(12,278)
<b>273,325</b>	<b>Balance at 31 March</b>	<b>114,881</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax /NDR 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.

## Supplementary Accounting Statements

### Collection Fund - Council Tax

2021/22		2022/23
£000		£000
<b>399</b>	<b>Balance at 1 April</b>	<b>2,917</b>
2,518	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	1,770
<b>2,917</b>	<b>Balance as at 31 March</b>	<b>1,247</b>

### Collection Fund - Business Rates

2021/22		2022/23
£000		£000
35,464	<b>Balance at 1 April</b>	<b>30,517</b>
4,947	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	(23,590)
<b>30,517</b>	<b>Balance as at 31 March</b>	<b>6,927</b>

### Accumulated Absences Account

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

2021/22		2022/23
£000		£000
1,858	<b>Balance at 1 April</b>	<b>2,926</b>
(1,858)	Settlement or cancellation of accrual made at the end of the preceding year	(2,926)
2,926	Amounts accrued at the end of the current year	2,956
<b>2,926</b>		<b>2,956</b>

## Supplementary Accounting Statements

### 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.

2021/22		2022/23
£000		£000
1,790	Balance at 1 April	2,047
257	In Year DSG Overspend	0
2,047	Balance at 31 March	2,047

### Note 12 Other Operating Expenditure

2021/22	Other Operating Expenditure	2022/23
£000		£000
1,655	Parish Council Precepts	1,763
162	Levies (Environment Agency)	164
12,693	(Gains)/Losses on the disposal of non-current assets	4,400
14,510	Total Other Operating Expenditure	6,327

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.

### Note 13 Financing and Investment Income and Expenditure

2021/22	Financing and Investment Income and Expenditure	2022/23
£000		£000
3,082	Interest Payable and similar charges	4,376
7,070	Net interest on the net defined benefit liability	4,540
(280)	Interest Receivable and similar income	(1,540)
-	Dividends Receivable	(210)
(7,217)	Changes in the fair value of investment properties	7,923
226	Increase in investment in RBWM PropCo Ltd arising from transfer of non-current assets	-
2,572	Total	15,089

## Supplementary Accounting Statements

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

2021/22	Taxation and Non-Specific Grant Income	2022/23
£000		£000
(110,938)	Collection Fund Precepts, Demands and Adjustments	(119,595)
30,800	Business Rates Tariff	31,059
(3,198)	Business Rates S31 Reliefs	(8,416)
(12,174)	Covid-19 Business Rates S31 Funding	87
(12,117)	Non-ring-fenced Government grants	(6,665)
(6,188)	Capital grants and contributions	(16,814)
(329)	CIL Revenue grant	127
1,763	Other	(308)
<b>(115,905)</b>	<b>Total</b>	<b>120,525</b>

### Note 15 Grant Income

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

2021/22		2022/23
£000	Credited to Taxation and Non-Specific Grant Income	£000
12,173	Covid-19 Business Rates S31 Funding	87
3,198	Business rates S31 relief	8,416
6,188	Capital Grants and Contributions	16,814
473	New Homes Bonus	604
329	CIL Revenue grant	127
3,118	Covid-19 Tranche & Capital SFC Compensation DLUHC Funding	0
2,621	Adult Social Care non-ring-fenced grant	5,685
1,405	School condition grant	0
1,507	Disabled facilities grant	0
2,994	Other Grants less than £500k credited to Taxation and Non-Specific Grant Income	376
<b>30,807</b>	<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>32,109</b>

The total amounts credited to services are detailed below.

2021/22		2022/23
£000	Credited to Services	£000
	<b>Government Grants</b>	
	- Adult Care Support/Improved Better Care/Winter Pressures	2,653
455	Children in Care - Care Costs	1,440
452	Community Safety Grant Funded	0
	Council Tax Rebate	4,523
69,742	Dedicated Schools Grant (DSG)*	71,865
406	Family support	0
311	Homelessness Grants	0
	Homes for Ukraine	5,403



## Supplementary Accounting Statements

2021/22		2022/23
£000	Credited to Services	£000
588	Household Support Grant (DWP)	1,176
1766	Other Education Grants (incl GTP & School Workforce Adviser)	2,544
-	PE and Sports Grant	0
733	Pooled treatment	0
3,070	Public Health Grant	4,967
1,395	Pupil Premium	1,291
	Rough sleepers	516
6,619	Other government grants less than £500k	5,874
<b>85,537</b>	<b>Total Government Grants</b>	<b>102,252</b>
252	Discretionary Benefits	252
23,978	Mandatory Rent Allowances: subsidy	22,970
<b>24,230</b>	<b>Total Housing Benefit Income</b>	<b>23,222</b>
	<b>Other Grants and Contributions</b>	
14,259	Health-Better Care	11,980
2,989	Health-Other Contributions	2,783
-	Contributions	9,072
460	Donations	463
5,832	Contributions from other funds/balances & reallocations	3,566
<b>23,540</b>	<b>Total Other Grants and Contributions</b>	<b>27,864</b>
4398	Covid - Additional Restriction Support Grant	-
1992	Covid - ASC Infection Control Grant	-
-	Covid - Contain Outbreak Management Fund	2328
349	Covid - Council Tax Support Hardship Fund	349
357	Covid - Homelessness-Covid 19	-
701	Covid - Infection Control fund	2,171
1138	Covid - January Lockdown	-
1375	Covid - Omicron Hospitality and Leisure Grant	-
-	Covid - Practical Support	247
996	Covid - Public Health Grant	-
7228	Covid - Restart Grant - Strand 1	-
-	Covid - Sales, Fees and Charges Compensation	1617
360	Covid - Winter Grant	360
483	Covid - Workforce Recruitment and Retention Fund Nov 21	495
2,752	Covid - Other Grants less than £250k	1,467
<b>22,129</b>	<b>Total Covid Grants and Contributions</b>	<b>9,034</b>
<b>155,526</b>	<b>Total Credited to Services</b>	<b>162,372</b>

## Supplementary Accounting Statements

### 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:

2021/22 £000		2022/23 £000
3,783	Developers Contributions	9,756
77	Other Contributions	77
6	Education Grants	6
5,995	Other Grants	6,340
<b>9,861</b>	<b>Total</b>	<b>16,179</b>

### Capital Grants Unapplied

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

2021/22 £000		2022/23 £000
4,730	Education Grants	8,692
8,943	Other Grants	11,202
<b>13,673</b>	<b>Total</b>	<b>19,894</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.

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

2021/22 £000		Central Expenditure £000	Individual Schools Budget £000	2022/23 Total £000
134,924	Final DSG for 2021/22 before academy and high needs recoupment			141,038
(65,448)	Academy and high needs figure recouped for 2021/22			(69,302)
<b>69,476</b>	<b>Total DSG after academy and high needs recoupment for 2021/22</b>	<b>23,790</b>	<b>47,945</b>	<b>71,736</b>
267	In year adjustments	149	(20)	129
<b>69,743</b>	<b>Final budget distribution for 2021/22</b>	<b>23,939</b>	<b>47,925</b>	<b>71,864</b>
(29,393)	Less: Actual central expenditure	(23,281)		(23,281)
(40,607)	Less: Actual ISB deployed to schools		(47,642)	
-	Plus: Local authority contribution for 2021/22			

## Supplementary Accounting Statements

<b>(257)</b>	<b>In Year Carry-forward to 2022/23</b>	<b>658</b>	<b>283</b>	<b>941</b>
	Plus/Minus: Carry-forward to 2022/23 agreed in advance			
	Carry-forward to 2022/23			
(1,790)	DSG unusable reserve at the end of 202/22			(2,047)
(257)	Addition to DSG unusable reserve at the end of 2021/22			941
<b>(2,047)</b>	<b>Net DSG position at the end of 2021/22</b>			<b>(1,106)</b>

## Supplementary Accounting Statements

### Note 17 Property, Plant and Equipment

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

Movements in 2022/23	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1 April 2022	322,154	35,557	9,179	58,051	15,732	<b>440,674</b>
Additions	188	1,458	316	-	9,512	<b>11,474</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23,276	-	156	596	-	<b>24,028</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,620)	-	(233)	-	-	<b>(15,853)</b>
Impairments Recognised in Surplus/Deficit on the Provision of Services	(4,819)					<b>(4,819)</b>
Other movements	309					<b>309</b>
Derecognition – disposals	(5,941)	-	-	-	-	<b>(5,941)</b>
Asset reclassifications*	18,152				(18,152)	<b>0</b>
<b>At 31 March 2023</b>	<b>337,699</b>	<b>37,015</b>	<b>9,418</b>	<b>58,647</b>	<b>7,092</b>	<b>449,872</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2022</b>	(4,581)	(18,886)	(129)	0	0	<b>(23,597)</b>
Depreciation charge	(4,393)	(2,798)	-	-	-	<b>(7,191)</b>
Depreciation written out to the Revaluation Reserve	42	-	17	-	-	<b>59</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	43	-	-	-	-	<b>43</b>
Derecognition	96	-	-	-		<b>96</b>
Asset reclassifications						<b>0</b>
<b>At 31 March 2023</b>	<b>(8,793)</b>	<b>(21,684)</b>	<b>(111)</b>	<b>0</b>	<b>0</b>	<b>(30,589)</b>
<b>Net Book Value</b>						
<b>At 31 March 2023</b>	<b>328,906</b>	<b>15,331</b>	<b>9,307</b>	<b>58,647</b>	<b>7,092</b>	<b>419,283</b>
<b>At 31 March 2022</b>	<b>317,573</b>	<b>16,670</b>	<b>9,049</b>	<b>58,052</b>	<b>15,733</b>	<b>417,077</b>

## Supplementary Accounting Statements

2021/22	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2021</b>	320,842	35,423	9,314	61,495	10,687	<b>437,761</b>
Additions	1,456	1,570	87	0	10,786	<b>13,899</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,405	0	235	34	0	<b>19,674</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,931)	0	(223)	(3,477)	(5,740)	<b>(13,371)</b>
Derecognition – disposals	(11,217)	0	0	0	0	<b>(11,217)</b>
Derecognition – other	0	(1,475)	0	0	0	<b>(1,475)</b>
Asset reclassifications	(4,400)	38	(235)	0	0	<b>(4,597)</b>
<b>At 31 March 2022</b>	<b>322,155</b>	<b>35,556</b>	<b>9,178</b>	<b>58,052</b>	<b>15,733</b>	<b>440,674</b>
<b>Accumulated Depreciation and Impairment</b>						<b>0</b>
<b>At 1 April 2021</b>	(9,916)	(16,089)	(129)	0	0	<b>(26,134)</b>
Depreciation charge	(4,394)	(2,797)	0	0	0	<b>(7,191)</b>
Depreciation written out to the Revaluation Reserve	9,662	0	0	0	0	<b>9,662</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	66	0	0	0	0	<b>66</b>
<b>At 31 March 2022</b>	<b>(4,582)</b>	<b>(18,886)</b>	<b>(129)</b>	<b>0</b>	<b>0</b>	<b>(23,597)</b>
<b>Net Book Value</b>						
At 31 March 2022	317,573	16,670	9,049	58,052	15,733	<b>417,077</b>
At 31 March 2021	310,926	19,334	9,185	61,495	10,687	<b>411,627</b>

### Depreciation

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

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

### Capital Commitments

At 31 March 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>

## Supplementary Accounting Statements

### 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	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost		15,330	88,559	9,307		7,092	120,287
<b>Valued at fair value as at:</b>							<b>0</b>
31 March 2023	38,435				58,647		97,082
31 March 2022	184,034						184,034
31 March 2021	76,360						76,360
31 March 2020	21,235						21,235
31 March 2019	8,535						8,535
<b>Net Book Value as at 31st March 2023</b>	<b>328,599</b>	<b>15,330</b>	<b>88,559</b>	<b>9,307</b>	<b>58,647</b>	<b>7,092</b>	<b>507,533</b>

### Assts held for sale.

2021/22	2022/23
£000	£000
0 Balance at 1 April	4,635
0 Disposals	0
4,635 Transfers (To)/From Property, Plant & Equipment	(4,635)
4,635 Balance at 31 March	0

### 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.

## Supplementary Accounting Statements

### Note 18 Highways Infrastructure assets.

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

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

2021/22		2022/23
£000		£000
82,595	<b>Net Book Value at 1 April</b>	<b>85,557</b>
9,869	Additions	8,004
(64)	Reclassification	-
(6,943)	Depreciation charge	(5,002)
<b>85,557</b>	<b>Net Book Value 31 March</b>	<b>88,559</b>

### Note 19 Investment Properties

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

2021/22		2021/22
£000		£000
82,289	<b>Balance at 1 April</b>	<b>89,506</b>
7,217	Net gains/(losses) from fair value adjustments	(7,922)
-	- Derecognition - Disposals	-
-	- Transfers (To)/From Property, Plant & Equipment	-
<b>89,506</b>	<b>Balance at 31 March</b>	<b>81,584</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.

## Supplementary Accounting Statements

### 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: £0.555m).

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

2021/22 £000		2021/22 £000
17,538	Gross Carrying Amount	17,657
(16,306)	Accumulated Amortisation	(16,770)
1,232	Net Carrying Amount at Start of Year	887
72	Additions	45
47	Assets reclassified between asset categories	0
(464)	Amortisation for the Period	(293)
<b>887</b>	<b>Balance at End of Year</b>	<b>638</b>
	<b>Comprising</b>	
17,657	Gross Carrying Amount	17,702
(16,770)	Accumulated Amortisation	(17,063)
<b>887</b>	<b>Net Carrying Amount at the End of Year</b>	<b>638</b>



## Supplementary Accounting Statements

### 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:

2022/23	Land and buildings	Vehicles, Plant & Equipment	Other Leases	Rental Charge
	£000	£000	£000	£000
Not later than one year	244	7	84	335
Later than one year and not later than five years	620	-	64	684
Later than five years	1,326	-	2	1,328
<b>Total</b>	<b>2,190</b>	<b>7</b>	<b>150</b>	<b>2,347</b>

2021/22	Land and buildings	Vehicles, Plant & Equipment	Other Leases	Rental Charge
	£000	£000	£000	£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>

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

2021/22	2022/23
£000	£000
1,636 Minimum lease payments	1,945
95 Contingent rents	130
<b>1,731 Total</b>	<b>2,075</b>

## Supplementary Accounting Statements

### Authority as Lessor

#### Finance Leases

There were no finance leases in 2021/22 or 2022/23.

#### Operating Leases

The Authority leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses. Future minimum lease payments receivable **under non-cancellable leases in future years are:**

2021/22	2022/23
£000	£000
3,035	3,286
10,768	11,231
100,055	104,868
<b>113,858 Total</b>	<b>119,384</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.

2021/22	2022/23
£000	£000
216,275	<b>231,975</b>
23,868	19,478
72	44
2,234	2,139
<b>Sources of finance</b>	
(1,003)	(459)
(6,151)	(10,578)
(400)	0
(2,920)	(3,020)
<b>231,975</b>	<b>239,567</b>
<b>Explanation of Movements in Year</b>	
15,700	7,604

## Supplementary Accounting Statements

### 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.

2021/22 £000		2022/23 £000
<b>Long term Debtors</b>		
4,606	Deferred Capital receipts	7,535
<b>4,606</b>	<b>Total Long-term debtors</b>	<b>7,535</b>
21,091	Trade receivables	23,983
1,988	Prepayments	2,050
48,693	Collection Fund	21,706
2,328	Other	14,765
<b>74,100</b>	<b>Total short-term debtors</b>	<b>62,504</b>

### Note 24 Cash and Cash Equivalents

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

2021/22 £000		2022/23 £000
8	Cash held by the Authority	9
-	Bank current accounts	-
774	School bank accounts	669
32,200	Short-term deposits	41,711
(659)	Bank overdraft (current liability)	(2,837)
<b>32,323</b>	<b>Total Cash and Cash Equivalents</b>	<b>39,551</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.

2021/22 £000		2022/23 £000
<b>Long term Creditors</b>		
(179)	Deferred capital receipts	(177)
<b>Short term Creditors</b>		
(24,785)	Trade Payables	51,014
(19,530)	Receipts in advance	3,633
(43,027)	Other - including Collection Fund	28,928
<b>(87,342)</b>	<b>Total Short-term Creditors</b>	<b>83,575</b>

## Supplementary Accounting Statements

### 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 1 April 2022 £000	Additional Provisions made in 2021/22 £000	Amounts used in 2021/22 £000	Transfers between current and non- current provisions £000	Unused amounts reversed in 2021/22 £000	Unwinding of discounting in 2021/22 £000	Balance at 31 March 2023 £000
<b>Short Term</b>							
Provision for MMI clawback liability	(223)	0	0	0	0	0	(223)
Insurance	(591)	0	84	0	0	0	(507)
Appeal provision for collection fund (Business Rates)	(2,103)	(235)	0	(3,566)	0	0	(5,904)
Adult Social Care Provision	-	(314)	0	0	0	0	(314)
<b>Total Short-Term Provision</b>	<b>(2,917)</b>	<b>(549)</b>	<b>84</b>	<b>(3,566)</b>	<b>0</b>	<b>0</b>	<b>(6,948)</b>
<b>Long Term</b>							
Appeal provision for collection fund (Business Rates)	(5,053)	0	0	3,566	0	0	(1,487)
<b>Total Long-Term Provision</b>	<b>(5,053)</b>	<b>0</b>	<b>0</b>	<b>3,566</b>	<b>0</b>	<b>0</b>	<b>(1,487)</b>

#### 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).

**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.

## Supplementary Accounting Statements

### 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 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.

2021/22	2022/23
£'000	£'000
86 Fees payable with regard to external audit services carried out during the year	100
200 Additional Fees payable for external audit services carried out in previous years	160
29 Fees payable for the certification of grant claims and returns during the year	29
75 Fees payable in respect of other services provided during the year	-
<b>390 Total</b>	<b>289</b>

### Note 28 Cash Flow Statement - Operating Activities

The cashflows from operating activities include the following items.

2021/22		2022/23
£000		£000
280	Interest Received	1,540
(3,082)	Interest Paid	(4,376)

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

2021/22		2022/23
£000		£000
14,097	Depreciation/Impairment charge	12,193
20,923	Revaluation of non-current assets	20,688
464	Amortisation of Intangible Assets	293
0	(Increase)/Decrease in Investments	0
12,692	Derecognition of Non-Current Assets	10,558
(7,549)	(Increase)/Decrease in Debtors	8,667
21,487	Increase/(Decrease) in Creditors	(3,770)
(3,955)	Increase/(Decrease) in Grants Received in Advance	6,318
0	(Increase)/Decrease in Inventories	0
(326)	Increase/(Decrease) in Provisions	465
(7,217)	Change in Investment property values	7,922
12,615	Pensions Liability	1,266
3	Other non-cash items	(446)
<b>63,234</b>	<b>Total non-cash movements</b>	<b>64,155</b>

## Supplementary Accounting Statements

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.

2021/22	3022/23
£000	£000
(988) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,175)
(6,151) Covid Grants credited to the surplus or deficit on the provision of services	0
<b>(7,139) Adjust net surplus or deficit on the provision of services for investing activities</b>	<b>(7,175)</b>

### Note 29 Cash Flow Statement – Investing Activities

The cashflows from operating activities include the following items.

2021/22		2022/23
£000		£000
(23,940)	Purchase of property, plant and equipment, investment property and intangible assets	(19,522)
2,392	Net Purchase of short-term and long-term investments	(36,893)
988	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,175
(84)	Other receipts from investing activities	0
<b>(20,644)</b>	<b>Net cash flows from investing activities</b>	<b>(49,240)</b>

### Note 30 Cash Flow Statement – Financing Activities

The cashflows from operating activities include the following items.

2021/22		2022/23
£000		£000
14,675	Net repayments of short and long-term borrowing	27,240
0	Net cash receipts for Covid grants for which the Council is acting as agent	0
<b>14,675</b>	<b>Net cash flows from financing activities</b>	<b>27,240</b>

### Note 31 Members' Allowances

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

2021/22		2022/23
£000		£000
516	Allowances (Basic and Members' responsibilities)	525
0	Expenses	0
<b>516</b>	<b>Total</b>	<b>525</b>

## Supplementary Accounting Statements

### Note 32 Officers' Remuneration

		Salaries, fees and allowances	Compensation for loss of office	Expense allowances	Pension Contributions	Total
		£	£	£	£	£
Tony Reeves, Interim Chief Executive1	2022/23	-	-	-	-	-
	2021/22	-	-	-	-	-
Duncan Sharkey, Chief Executive2	2022/23	87,773	-	107	13,254	101,134
	2021/22	151,980	-	250	22,987	175,217
Executive Director of Resources & Section 151 Officer3	2022/23	125,530	-	253	18,955	144,738
	2021/22	126,480	-	150	18,746	145,376
Head of Finance and Interim Section 151 Officer4	2022/23	3,300	-	-	500	3,800
	2021/22	-	-	-	-	-
Executive Director of Adults, Health & Housing5	2022/23	27,862	-	-	4,207	32,069
	2021/22	124,000	-	493	18,724	143,217
Executive Director of People's Services	2022/23	135,920	-	-	20,524	156,444
	2021/22	124,000	-	-	19,098	143,098
Executive Director of Place	2022/23	130,355	-	-	19,684	150,039
	2021/22	125,000	-	150	15,836	140,986
Director of Law & Governance and Monitoring Officer6	2022/23	108,881	-	-	15,935	124,816
	2021/22	104,873	-	-	18,898	123,771
Head of Law and Governance and Interim Monitoring Officer7	2022/23	1,238	-	-	188	1,426
	2021/22	-	-	-	-	-

#### Notes

1. The Interim Chief Executive took up their role on 3 October 2022 and was employed through an agency, the costs of which were £107,800 and which are not included in the table above.
2. Duncan Sharkey, Chief Executive left his post on 2 October 2022
3. The Executive Director of Resources and Section 151 Officer left their post on 19 March 2023
4. The Head of Finance took up the duties as Interim Section 151 Officer on 20 March 2023
5. The Executive Director of Adults, Health and Housing left their role on 19 June 2022
6. The Director of Law and Governance and Monitoring Officer left their role on 26 March 2023
7. The Head of Law and Governance took up the duties as Interim Monitoring Officer on 27 March 2023

Remuneration Band	2021/22	2022/23
	Number of Employees	Number of Employees
£50,000 - £54,999	33	40
£55,000 - £59,999	20	20
£60,000 - £64,999	18	21
£65,000 - £69,999	11	13
£70,000 - £74,999	7	10
£75,000 - £79,999	7	3
£80,000 - £84,999	5	7
£85,000 - £89,999	2	5
£90,000 - £94,999	4	3

## Supplementary Accounting Statements

£95,000 - £99,999	-	1
£100,000 - £104,999	3	-
£105,000 - £109,999	-	3
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	2	-
£125,000 - £129,999	2	1
£145,000 - £149,999	-	-
£150,000 - £154,999	1	1
£130,000 - £134,999	-	1
£135,000 - £139,999	-	1
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£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).

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	No:	No:	No:	No:	No:	No:	£000	£000
£0- £20,000	-	3	17	11	17	14	136	70
£20,001 - £40,000	-	1	4	1	4	2	103	63
£40,001 - £60,000	-	-	1	2	1	2	41	91
£60,001 - £80,000	-	-	1	-	1	-	78	-
£80,001 - £100,000	-	-	-	1	-	1	-	81
<b>Total</b>	-	4	23	15	23	19	358	305

### 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.



## Supplementary Accounting Statements

### 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: -

	2021/22				2022/23			
	Exp	Income	Dr	Cr	Exp	Income	Dr	Cr
	£0	£0	£0	£0	£0	£0	£0	£0
Achieving for Children Community Interest Co	49,628	6,385	8,519	5,554	53,984	1,680	8,658	5,475
All Saints Church	7	-	-	-	-	-	-	-
Baby Bank	27	-	-	-	-	-	-	-
Care UK	89	-	2	-	-	-	-	-
Charters School	131	-	2	-	138	33	3	-
Holyport Community Trust	-	-	-	-	6	-	-	-
Little Red Hen Day Nursery Limited	-	-	-	-	154	-	-	-
More Than a Shelter	3	-	-	-	-	-	-	-
Norden Farm Centre Trust Ltd	92	46	-	4	-	-	-	-
Optalis Ltd	42,699	1,469	492	4,998	42,654	2,005	225	2,557
The Prince Philip Trust Fund	-	-	-	-	10	-	-	-
RBWM Property Company	1,075	843	1,323	17	947	886	1,382	0
Sportsable	100	-	-	-	-	-	-	-
Windsor Foodshare	15	-	-	-	-	-	-	-
Windsor & Maidenhead Youth Counselling Service	-	-	-	-	123	-	-	-
West Windsor Hub	15	-	-	-	3	-	-	-
<b>Total</b>	<b>93,881</b>	<b>8,743</b>	<b>10,338</b>	<b>10,573</b>	<b>98,019</b>	<b>4,604</b>	<b>10,268</b>	<b>8,032</b>

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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 Better Care Fund is a pooled budget arrangement with Frimley Clinical Commissioning Group. Its purpose is to support local systems to deliver integration of health and social care in a way that supports person-centred care, sustainability and better outcomes for people and carers. The Royal Borough is the host organisation.

2021/22	Council Hosting the Better Care Fund as Principal	2022/23
£000		£000
3,570	Funding from the Royal Borough of Windsor and Maidenhead	6,985
11,980	Funding from the Health Service	10,922
15,550	<b>Total Funding</b>	<b>17,907</b>
15,550	<b>Total Expenditure on Better Care Fund</b>	<b>17,907</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:

## Supplementary Accounting Statements

- 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

	Long Term	Long Term	Short Term	Short Term
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Bank overdraft	-	-	(659)	(2,837)
Loans at amortised cost	(71,265)	(111,265)	(135,989)	(125,217)
Trade payables at amortised cost	-	-	(45,820)	(51,014)
<b>Total Financial Liabilities</b>	<b>(71,265)</b>	<b>(111,265)</b>	<b>(182,468)</b>	<b>(179,068)</b>

The creditors lines on the Balance Sheet include £27.9m (2022: £42.1m) short-term and £0.2m (2022: £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	Long Term	Short Term	Short Term
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
At amortised cost:				
- Loans	3,460	22,039	8,221	26,534
At fair value through other comprehensive income:				
- Loans	-	-	-	-
<b>Total Investments*</b>	<b>3,460</b>	<b>22,039</b>	<b>8,221</b>	<b>26,534</b>
At amortised cost:				
- Cash and Cash Equivalents	-	-	32,982	42,389
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>32,982</b>	<b>42,389</b>
At amortised cost:				
- Trade receivables	4,606	7,535	21,091	23,983
<b>Included in debtors**</b>	<b>4,606</b>	<b>7,535</b>	<b>21,091</b>	<b>23,983</b>
<b>Total Financial Assets</b>	<b>8,066</b>	<b>29,574</b>	<b>62,294</b>	<b>92,906</b>

\* The debtors lines on the Balance Sheet include £25.1m (2022: £53.0m) 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.

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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.

	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	2021/22	2021/22	2022/23	2022/23
	£000	£000	£000	£000
Financial liabilities held at amortised cost:				
Long-term loans from PWLB	42,479	54,908	82,480	81,241
Long-term LOBO loans	13,000	17,308	13,000	14,783
Other long-term loans	15,000	14,419	15,000	14,073
<b>Total Financial Liabilities held at amortised cost</b>	<b>70,479</b>	<b>86,635</b>	<b>110,480</b>	<b>110,097</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
	2021/22	2021/22	2022/23	2022/23
	£000	£000	£000	£000
Financial assets held at fair value:				
Money market funds	18,000	18,000	20,000	20,000
Financial assets held at amortised cost	-	-		
Long-term loans to companies	1,272	1,403	1,265	1,263
<b>Total</b>	<b>19,272</b>	<b>19,403</b>	<b>21,265</b>	<b>21,263</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.

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### 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:

2021/22	Exposure Category	2022/23
£000		£000
18,454	Treasury Investments	59,180
21,091	Trade Receivables	25,891
9,154	Service Loans	9,745
<b>48,699</b>	<b>Total Credit Risk Exposure</b>	<b>94,816</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:

## Supplementary Accounting Statements

2021/22 £000	Time to maturity (years)	2022/23 £000
136,440	Not over 1	123,680
-	Over 1 but not over 2	22,100
15,000	Over 2 but not over 5	11,300
55,479	Over 5	67,080
<b>206,919</b>	<b>Total</b>	<b>234,160</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 2022/23, the council paid £3.773m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £3.713m 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

## Supplementary Accounting Statements

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).
- 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



## Supplementary Accounting Statements

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.

2021/22		2022/23
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
16,203	• Current Service Costs	8,725
249	• Administration Expenses	279
	Financing and Investment Income and Expenditure	
7,070	• Net Interest Expense	4,540
<b>23,522</b>	<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>13,544</b>
	Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(22,201)	• Return on Fund Assets in excess of interest	7,686
391	• Other actuarial gains	-
(25,381)	• Change in Financial Assumptions	(215,413)
(16,913)	• Change in Demographic Assumptions	-
(9,762)	• Experience (loss) / gain on defined benefit obligation	48,017
<b>(73,846)</b>	<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(159,710)</b>
<b>(50,324)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(146,166)</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:



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2021/22		2022/23
£000		£000
554,584	Present Value of the Defined Benefit Obligation	(390,290)
284,876	Fair Value of Plan Assets	278,277
<b>269,708</b>	<b>Deficit</b>	<b>(112,013)</b>
3,617	Present value of unfunded obligation	(2,868)
<b>273,325</b>	<b>Net defined benefit liability</b>	<b>(114,881)</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:

2021/22		2022/23
£000		£000
<b>262,493</b>	<b>Opening Balance at 1 April</b>	<b>284,876</b>
4,723	Interest Income on Plan Assets	10,851
22,201	Return on Plan Assets, excluding the amount included in the net interest expense	(7,686)
(391)	Other actuarial gains	-
(249)	Administration Expenses	(279)
10,907	Contributions from Employer (including unfunded)	12,278
1,896	Contributions from Scheme Participants	2,107
-	Settlement prices received/(paid)	(3)
(16,704)	Benefits Paid	(23,867)
284,876	Closing Balance at 31 March	278,277

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

2021/22		2022/23
£000		£000
597,049	Opening Balance at 1 April	558,201
17,622	Current Service Cost	9,487
11,793	Interest cost	15,391
(25,361)	Change in financial assumptions	(215,413)
(16,913)	Change in demographic assumptions	-
(9,762)	Experience loss/(gain) on defined benefit obligation	48,017
(1,680)	Liabilities assumed/(extinguished) on settlements	(863)
(16,202)	Estimated Benefits Paid	(23,519)
261	Past Service Cost including curtailments	98
1,896	Contributions by Scheme Participants	2,107
(502)	Unfunded Pension payments	(348)
<b>558,201</b>	<b>Closing Balance at 31 March</b>	<b>393,158</b>

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The significant assumptions used by the actuary have been:

2021/22		2022/23	
<b>Mortality assumptions:</b>			
<b>Longevity at 65 retiring today (years):</b>			
21.3	- Men		21.1
24.0	- Women		23.9
<b>Longevity at 65 retiring in 20 years (years):</b>			
22.6	- Men		22.3
25.4	- Women		25.3
4.20%	Rate of increase in salaries		3.95%
3.20%	Rate of increase in pensions		2.95%
2.60%	Rate of discounting of scheme liabilities		4.80%

### 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	6,017	1.53%	5.2%
1 year increase in member life expectancy	16,140	4.11%	14.0%
0.1% Increase in the Salary Increase Rate	241	0.06%	0.2%
0.1% increase in the Pension Increase Rate	5,879	1.50%	5.1%

### Local Government Pension Scheme Assets Comprised:

31 March 2022		Asset Breakdown	31 March 2023	
£000	%		£000	%
178,921	62.0	Equities	140,062	50
46,627	16.2	Other Bonds	34,487	12
34,493	12.0	Property	38,368	14
6,022	2.1	Cash	35,178	13
859	0.3	Target Return Portfolio	40,444	14
35,281	12.2	Infrastructure	4,208	2
(13,880)	(4.8)	Longevity Insurance	(14,470)	(5)
<b>288,323</b>	<b>100.0</b>	<b>Total</b>	<b>278,277</b>	<b>100</b>

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### 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.

	2021/22 closing balance	2022/23 closing balance
	£000	£000
Local Enterprise Partnership (LEP)	14,944	3,686
Flexible Home Improvements Ltd (FHIL)	314	131
Kidwells Park Trust	460	50
RBWM Flood Relief Fund	190	0
Mayor's Benevolent Fund	24	7
Working Boys Club	641	45
Thames Valley Athletic Centre	124	50
Other Trust Funds	1	0
<b>Trusts &amp; Other Entities Total</b>	<b>16,698</b>	<b>3,969</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.

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### **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.

# **SUPPLEMENTARY ACCOUNTING STATEMENTS**

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Royal Borough  
of Windsor &  
Maidenhead

# Collection Fund 2022/23

## 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.

2021/22 £'000	COUNCIL TAX	2022/23 £'000
<b>INCOME</b>		
100,815	Council Tax receivable	105,517
349	Council tax benefit from General Fund	58
<b>101,164</b>	<b>Total Income</b>	<b>105,575</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year (Deficit)/Surplus</b>		
	- Central Government	
383	Royal Borough of Windsor and Maidenhead	(783)
23	Berkshire Fire and Rescue Authority	(46)
74	Thames Valley Police & Crime Commissioner	(154)
<b>480</b>		<b>(983)</b>
<b>Precepts and Demands</b>		
	- Central Government	
81,125	Royal Borough of Windsor and Maidenhead	84,256
4,770	Berkshire Fire and Rescue Authority	5,157
16,000	Thames Valley Police & Crime Commissioner	16,826
<b>101,895</b>		<b>106,239</b>
<b>Charges to Collection Fund</b>		
131	Less write offs of uncollectable amounts	65
75	Less: Increase in Bad Debt Provision	(99)
	- Less: Disregarded amounts	-
<b>206</b>		<b>(34)</b>
<b>102,581</b>	<b>Total Expenditure</b>	<b>105,222</b>
(1,417)	<b>(Deficit) arising during the year</b>	353
(504)	<b>(Deficit) Brought Forward</b>	(1,921)
<b>(1,921)</b>	<b>(Deficit) Carried Forward</b>	<b>(1,568)</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.

## Supplementary Accounting Statements

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 2022/23 the sum of £34.57 per Band D property is included to cover Special Expenses of the unparished areas of the Borough. These are the costs associated with providing parish-type services in the non-parished areas of the Borough. A precept in accordance with revised regulations was also included to cover additional Adult Social Care costs and resulted in an additional charge of £139.09 at band D for 2022/23.

Band	Property Value	Number of Properties		Band D Equivalent	New build and collection provision	TAX BASE
		Base	Ratio			
A	Up to £40,000	1,523.74	6/9	1,015.52	22.44	1,037.96
B	£40,001 to £52,000	2,497.56	7/9	1,942.55	85.79	2,028.34
C	£52,001 to £68,000	7,963.02	8/9	7,078.24	433.66	7,511.90
D	£68,001 to £88,000	14,250.04	9/9	14,250.04	14.66	14,264.70
E	£88,001 to £120,000	12,168.77	11/9	14,872.94	(64.63)	14,808.31
F	£120,001 to £160,000	7,764.49	13/9	11,215.39	(21.58)	11,193.81
G	£160,001 to £320,000	9,162.14	15/9	15,270.23	(56.84)	15,213.39
H	more than £320,000	1,829.28	18/9	3,658.56	19.34	3,677.90
<b>Total</b>		<b>57,159.04</b>		<b>69,303.48</b>	<b>432.84</b>	<b>69,736.32</b>

The average Band D charge for 2022/23 was £1,567.33. Therefore, based on the adjusted tax base of 69,736.32. The estimated yield was £106.239m. This can be reconciled to the income received as follows: -

2021/22		2022/23
£'000		£'000
101,895	Estimated Yield	106,239
-	Transitional Relief	-
-	Other Changes in Yield	-
<b>101,895</b>	<b>Council Tax Income</b>	<b>106,239</b>

The council tax debt position is reviewed regularly and a provision of £1.55m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £1.23m.

### Precepts and Demands on the Funds

2021/22		2022/23	
£'000		£'000	£'000
Royal Borough of Windsor and Maidenhead			
69,415	General Expenses	71,543	
8,840	Adult Social Care Precept	9,699	
1,215	Special Expenses *	1,251	
1,655	Parishes	1,763	
<b>81,125</b>			<b>84,256</b>
16,000	Thames Valley Police & Crime Commissioner		16,826
4,770	Berkshire Fire and Rescue Authority		5,157
<b>101,895</b>	<b>Total Precepts and Demands</b>		<b>106,239</b>



## Supplementary Accounting Statements

\* 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.

### Business Rates Income

2020/21 £'000	BUSINESS RATES	2021/22 £'000
	<b>INCOME</b>	
59,850	Business Rates receivable	74,534
(549)	Transitional Protection Payments	(308)
<b>59,301</b>	<b>Total Income</b>	<b>74,226</b>
	<b>EXPENDITURE</b>	
	<b>Apportionment of Previous Year Deficit</b>	
(22,869)	Central Government	(26,923)
(25,808)	Royal Borough of Windsor and Maidenhead	(26,384)
(492)	Berkshire Fire and Rescue Authority	(538)
<b>(49,169)</b>	<b>Total Expenditure</b>	<b>(53,845)</b>
	<b>Precepts and Demands</b>	
50,716	Central Government	39,994
49,702	Royal Borough of Windsor and Maidenhead	39,194
1,014	Berkshire Fire and Rescue Authority	800
<b>101,432</b>	<b>Total Precepts and Demands</b>	<b>79,988</b>
	<b>Charges to Collection Fund</b>	
(342)	Less write offs of uncollectable amounts	-
(283)	Less: Increase/(Decrease) in Bad Debt Provision	(820)
813	Less: Increase/(Decrease) in Provision for Appeals	480
232	Less: Cost of Collection	230
20	Less: Renewable energy scheme	18
-	Less: Disregarded amounts	-
<b>440</b>	<b>Total charges</b>	<b>(92)</b>
<b>52,703</b>	<b>Total Expenditure</b>	<b>26,051</b>
<b>6,598</b>	<b>(Deficit) / Surplus arising during the year</b>	<b>48,175</b>
(68,684)	<b>(Deficit) Brought Forward</b>	(62,086)
<b>(62,086)</b>	<b>(Deficit) Carried Forward</b>	<b>(13,911)</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 2022/23 (51.2p in 2021/22). For RBWM, small business non-domestic multiplier was applicable, and this was set at 49.9p for 2022/23. The total rateable value of business premises in the Borough's area at 31st March 2023 was £205.51m producing a notional yield of £104,45m. The business rate bad debt position is reviewed regularly and a provision of £4.3m was maintained as at 31/03/2023 to cover potentially bad or doubtful debts has been made. Of the total bad debt provision, RBWM's share of the provision is £2.09m. In addition to the provision on collectables, a provision on appeals has been provided a potential liability to repay ratepayers as a result of

## Supplementary Accounting Statements

reductions in Rateable Values (RV), following successful appeals or alterations to lists. A provision of £15.09m was maintained as at 2022/23. Of the total provision as at 31st March 2023, RBWN share was £6.9m.

2021/22		2022/23
£'000		£000
98,893	Notional Yield	103,239
(31,713)	Allowances	(22,527)
1,962	Rateable Value Changes	1,923
(9,292)	Occupation Changes	(8,101)
<b>59,850</b>	<b>Collectable Income</b>	<b>74,534</b>

### Precepts and Demands on the Funds

The following authorities made demands on the Business Rates Collection Fund in 2022/23: -

2021/22		2022/23
£'000		£'000
49,701	Royal Borough of Windsor and Maidenhead	39,194
50,716	Central Government	39,994
1,014	Berkshire Fire and Rescue Authority	800
<b>101,431</b>	<b>Total Precepts and Demands</b>	<b>79,988</b>

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Royal Borough  
of Windsor &  
Maidenhead

# Group Financial Statements 2022/23

### 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:

The Statement of Accounts, including the narrative report, were prepared before the identification of significant issues affecting the financial wellbeing and resilience of the Council, including material issues detailed in note 6.

#### Basis of Identification of the Group Boundary

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

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

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

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

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

#### Basis of Consolidation – Group Accounts

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

## Supplementary Accounting Statements

### **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.

## 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.

2021/22			2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
83,301	(38,491)	<b>44,810</b>	Adults, Health & Housing	80,683	(40,476)	<b>40,207</b>
49	(13)	<b>35</b>	Chief Executive	324	(13)	<b>311</b>
120,509	(92,441)	<b>28,068</b>	Children's Services	125,217	(97,140)	<b>28,077</b>
219	(149)	<b>70</b>	Contingency & Corporate	70	(296)	<b>(226)</b>
8,891	(4,632)	<b>4,260</b>	Governance, Law and Strategy	14,027	(7,922)	<b>6,105</b>
47,545	(18,498)	<b>29,047</b>	Place	49,423	(21,368)	<b>28,054</b>
56,873	(47,931)	<b>8,942</b>	Resources	50,510	(46,498)	<b>4,012</b>
13,303	0	<b>13,303</b>	Revaluation movement on assets	20,319	0	<b>20,319</b>
<b>330,690</b>	<b>(202,155)</b>	<b>128,536</b>	<b>Total Cost of Services</b>	<b>340,573</b>	<b>(213,713)</b>	<b>126,860</b>
		14,510	Other Operating Expenditure			6,327
		2,572	Financing and Investment Income and Expenditure			15,089
		(115,905)	Taxation and Non-specific Grant Income			(120,525)
		<b>29,712</b>	<b>Deficit on Provision of Services</b>			<b>27,751</b>
		2,489	Joint Ventures accounted for on an equity basis			2,438
		<b>32,201</b>	<b>Group Deficit</b>			<b>30,189</b>
			<b>Other Comprehensive Income and Expenditure</b>			
		(29,335)	/Deficit / (Surplus) on revaluation of Property, Plant and Equipment			(24,087)
		(73,848)	Remeasurement of the net defined benefit liability/(asset)			(159,710)
		(5,409)	Share of Other Comprehensive Income/Expenditure of Joint Ventures			(16,976)
		<b>(108,590)</b>	<b>Total Other Comprehensive Expenditure/(Income)</b>			<b>(200,773)</b>
		<b>(76,389)</b>	<b>Total Comprehensive Expenditure/(Income)</b>			<b>(170,585)</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.

2022/23	Total General Fund Reserves £000	Schools Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Council's share of Joint Venture Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2022</b>	(47,374)	(3,003)	(3,436)	(13,673)	(67,486)	(67,291)	(134,777)	9,629	(125,148)
<b>Movement in Reserves during 2022/23</b>									
Total Comprehensive Income and Expenditure	27,751	-	-	-	27,751	(183,797)	(156,046)	(14,539)	(170,585)
Adjustments between accounting basis and funding basis under regulations	(3,875)	109	(3,789)	(6,222)	(13,777)	13,777	-	-	-
<b>Net Increase/Decrease for year</b>	23,876	109	(3,789)	(6,222)	13,974	(170,020)	(156,046)	(14,539)	(170,585)
<b>Balance at 31 March 2023</b>	(23,498)	(2,894)	(7,225)	(19,895)	(53,512)	(237,311)	(290,823)	(4,910)	(295,733)

## Supplementary Accounting Statements

2021/22	Total General Fund Reserves £000	Schools Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Council's share of Joint Venture Reserves £000	Total Group Reserves £000
<b>Restated Balance as at 1 April 2021</b>	(43,702)	(2,203)	(1,349)	(15,065)	(62,319)	2,382	(59,937)	12,549	(47,388)
<b>Movement in Reserves during 2021/22</b>									
Total Comprehensive Income and Expenditure	29,712	-	-	-	29,712	(103,181)	(73,469)	(2,920)	(76,389)
Adjustments between accounting basis and funding basis under regulations	(32,012)	(800)	(2,087)	1,392	(33,507)	33,507	-	-	-
Change in Group Reserves accounted for through equity					-		-		-
<b>Net Increase/Decrease before transfer to School Revenue Balances</b>	(2,300)	(800)	(2,087)	1,392	(3,795)	(69,674)	(73,469)	(2,920)	(76,389)
Other movements to/from reserves	(1,372)	-	-	-	(1,372)	1	(1,371)	-	(1,371)
<b>(Increase)/Decrease in 2021/22</b>	(3,672)	(800)	(2,087)	1,392	(5,167)	(69,673)	(74,840)	(2,920)	(77,760)
<b>Balance at 31 March 2022</b>	(47,374)	(3,003)	(3,436)	(13,673)	(67,486)	(67,291)	(134,777)	9,629	(125,148)



## 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 2022		31 March 2023
£000		£000
414,077	Property, Plant & Equipment	419,283
88,557	Infrastructure assets	88,559
89,506	Investment Property	81,584
887	Intangible Assets	638
3,337	Long Term Investments	21,917
4,606	Long Term Debtors	7,536
147	Council's Share of Joint Venture Assets	57
<b>601,117</b>	<b>Long Term Assets</b>	<b>619,574</b>
8,221	Short Term Investments	26,534
4,635	Assets Held for Sale	0
74,100	Short Term Debtors	62,504
32,982	Cash and Cash Equivalents	42,389
<b>119,938</b>	<b>Current Assets</b>	<b>131,427</b>
(659)	Bank Overdraft	(2,837)
(136,440)	Short Term Borrowings	(123,680)
(87,342)	Short Term Creditors	(83,574)
(2,917)	Short Term Provisions	(8,435)
<b>(227,358)</b>	<b>Current Liabilities</b>	<b>(218,526)</b>
(179)	Long Term Creditors	(177)
(5,054)	Long Term Provisions	0
(70,479)	Long Term Borrowing	(110,480)
(273,325)	Pension Liabilities	(114,881)
(9,859)	Grant Receipts in Advance	(16,179)
(9,653)	Council's Share of Joint Venture Liabilities	4,975
<b>(368,549)</b>	<b>Long Term Liabilities</b>	<b>(236,742)</b>
<b>125,148</b>	<b>Net Assets</b>	<b>295,733</b>
(67,485)	Usable Reserves	(53,511)
(67,292)	Unusable Reserves	(237,313)
9,629	Council's Share of Joint Venture Reserves	(4,909)
<b>(125,148)</b>	<b>Total Reserves</b>	<b>(295,733)</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.

2021/22		2022/23
£000		£000
(32,201)	Group (Deficit) on the provision of services	(30,189)
2,489	Adjust Joint Ventures accounted for on an equity basis	2,438
<b>(29,712)</b>	<b>Net (deficit) on the provision of services</b>	<b>(27,751)</b>
63,234	Adjustments to net Surplus/(Deficit) on the provision of services for non-cash movements	64,155
(7,139)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	(7,175)
<b>26,383</b>	<b>Net cash flows from Operating Activities</b>	<b>29,229</b>
(20,644)	Investing Activities	(49,240)
14,675	Financing Activities	27,239
<b>20,414</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,228</b>
11,909	Cash and cash equivalents at the beginning of the reporting period	32,323
<b>32,323</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>39,551</b>

**Independent Auditors report on  
the RBWM financial Statements  
2022/23**

## Independent Auditor's Report

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2022-2023

#### Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the Royal Borough of Windsor & Maidenhead ('the Authority') and its joint ventures ('the Group') for the year ended 31 March 2023. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the Council and Group Comprehensive Income and Expenditure Statements.
- the Council and Group Balance Sheets.
- the Council and Group Movement in Reserves Statements.
- the Council and Group Cash Flow Statements.
- the Collection Fund; and
- the related notes 1 to 39.

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

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statements of accounts, together with accompanying auditor's reports for the years ended 31 March 2022 and 2023 by 13 December 2024.

As discussed in the section headed 'Use of Resources', there are significant weaknesses in the Authority's arrangements for reliable and timely financial reporting and maintaining a sound system of internal control. Because of the impact of these significant weaknesses upon the conduct of the audit, and following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items and disclosures within the financial statements for both the years ended 31 March 2022 and 2023.

From the procedures that we have been able to perform, we have identified that:

- Subsequent to the balance sheet date, the Authority has undertaken a review of its balance sheet as at 31 March 2024, as discussed in note 6, which has identified issues impacting previous financial years. These relate to:
  - items within Property, Plant and Equipment (note 17) and Highways Infrastructure Assets (note 18) which the Authority considers do not meet the requirements of the Code to be capitalised,
  - amounts within the capital financing requirement (note 22) which the Authority considers do not meet the requirements to be treated as capital of the Code and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008,
  - items within the Collection Fund debtors (note 23) which the Authority does not consider to be recoverable, and
  - items within Other short term creditors (note 25) of deferred income in respect of capital grants, which the Authority has concluded do not have associated conditions and which should therefore not be deferred.

Adjusting for these items would:

## Supplementary Accounting Statements

- reduce Property, Plant and Equipment and Highways Infrastructure Assets by £5.3m at 1 April 2021, £5.1m at 31 March 2022, and £6.0m at 31 March 2023 (notes 17 and 18).
- reduce Collection Fund debtors by £2.4m at 31 March 2022 and 31 March 2023 (note 23).
- reduce other short-term creditors by £4.1m at 31 March 2023 (note 25).
- reduce the General Fund reserves by £10.9m at 31 March 2021, £14.0m at 31 March 2022, and £16.0m at 31 March 2023 (Movement in Reserves Statement and note 10).
- increase useable capital reserves (either the Capital Receipts Reserve or Capital Grants Unapplied Reserve) by £6.1m at 31 March 2021, £6.5m at 31 March 2022 and £12.0m at 31 March 2023 (Movement in Reserves Statement and note 10); and
- reduce the Capital Adjustment Account by £0.5m at 31 March 2021, increase the Capital Adjustment Account by £0.3m at 31 March 2022, and reduce the Capital Adjustment Account by £0.1m at 31 March 2023 (note 11).

The Authority has not reviewed the treatment of items for the purposes of determining accounting entries for the year ended 31 March 2022, the year ended 31 March 2023, or previous years, and this, in conjunction with the pervasive limitations set out above means that we have not been able to determine whether any further adjustments are required to these or other items, including consequential adjustments to the Comprehensive Income and Expenditure Statement, Cash Flow Statement, and Movement in Reserves Statement. In addition, where information on the financial position or performance is discussed in the narrative report, it may be materially misstated for the same reason.

- The cash flow statement – operating activities analysis (note 28) presents revaluation of non-current assets for the year ended 31 March 2022 of £20.9m, which is inconsistent with the amount presented in the Comprehensive Income and Expenditure Statement and elsewhere in the financial statements of £13.3m. As a result of the pervasive limitations set out above, we were unable to determine the adjustments required.
- The cash flow statement – financing activities analysis (note 30) discloses net cash receipts for Covid grants for which the Authority is acting as agent of £nil for the years ended 31 March 2022 and 31 March 2023. The Authority held £14.2m of covid grant money held as an agent as at 31 March 2021, which should have been paid to third parties or repaid to the funding body (in whole or in part) during the year ended 31 March 2022 or year ended 31 March 2023. As a result of the pervasive limitations set out above, we were unable to determine the value of any adjustment required.
- The cash flow – financing activities analysis (note 30) presents receipts and repayments of borrowings on a net basis, which are required to be separately presented under the Code. As a result of the pervasive limitations set out above, we were unable to determine the value of any adjustment required.

Additionally, the Authority did not retain analyses of the breakdown of debtor and creditor positions relating to National Non-Domestic Rates (Business Rates) as at 31 March 2021, 31 March 2022, or 31 March 2023, and is unable to run retrospective reports from its finance system. We were unable to satisfy ourselves by alternative means concerning related Collection Fund receivables or payables balances (notes 23 and 25), Collection Fund Precepts, Demands and Adjustments – Business Rates in Taxation and Non-Specific Grant Income (note 14), movements in the Business Rates Bad Debt Provision in the Collection Fund statement, or movements in the Collection Fund Adjustment Account for the amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rates income for the year ended 31 March 2021 (note 11) or any impact of this on the comparative information. As a result of this, and of the pervasive nature of the matter described above, we were unable to determine whether any adjustments to these items were necessary. This also caused us to qualify our opinion in respect of the financial statements for the year ended 31 March 2021.

### Chief Financial Officer's responsibilities

## Supplementary Accounting Statements

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

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

We plan to obtain an understanding of the legal and regulatory framework that the group operates in.

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

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations.
- where available, reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

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

## Supplementary Accounting Statements

### Matters on which we are required to report by exception

#### Use of resources

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

In our audit report dated 8 April 2024 on the 2020/21 financial statements, we reported two areas of significant weaknesses in the Authority's governance arrangements. The significant weaknesses reported were in respect of: significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control; and significant weaknesses in governance arrangements in respect of informed decision making and risk management.

On 3 December 2024, we reported to the Authority significant weaknesses in the Authority's arrangements to secure financial sustainability and governance arrangements, which included our updated assessment for 2021/22 and 2022/23 of the weaknesses in governance arrangements previously reported in 2020/21. The significant weaknesses reported in respect of 2022/23 and our recommendations were:

- **Significant weaknesses in arrangements for managing risks to financial sustainability, including challenge of the assumptions underlying the Authority's plans**, because
  - Whilst risks were identified in the decision reports for the budget and MTFS refresh agreed in March 2022, the risks were not quantified and only very limited sensitivity analysis or similar was performed to support consideration of the possible impact of identified risks to the Authority's financial sustainability.
  - There is insufficient evidence that assumptions in the Council's longer term treasury forecast, and plans are sufficiently challenged (including in respect of assumptions on capital proceeds prepared by the property company, which are required to repay the borrowings that are being incurred to fund capital projects).
  - There is insufficient evidence that assumptions made in relation to adult social care were challenged or widely understood.
  - The Authority developed and monitored its financial plan for adult social care placements using a standalone spreadsheet model which is not linked to systems recording care and related funding decisions. There was uncertainty over the accuracy of information generated by the model as a result of weaknesses in underlying data quality.
  - Accounting errors, arising due to the significant weaknesses in timely and reliable financial reporting and maintaining a sound system of internal control, meant that the Authority's available General Fund reserves were materially lower than was reported in budget and monitoring reports.
  - The Authority discovered an error in its original estimate for business rates income in its 2023/24 budget

We recommended the Authority:

- Continues with its plans to replace the existing care system with one which provides greater functionality, and which supports the financial planning process and subsequent budgetary control.
- Increases oversight and challenge of the assumptions over future capital receipts.
- Provides greater detail in decision reports on key assumptions to support challenge.
- Issue guidance in relation to budget preparation, including checks to be performed on individual budget estimates.
- Implements previous external audit recommendations in relation to financial reporting as part of ensuring that the financial plans are established on the correct reported financial position.
- Provides information on officers' evaluation of financial risks, including sensitivity analysis and risk mitigation plans in decision reports on the budget/MTFS.
- Implements the recommendations of the CIPFA Financial Resilience review, and related actions in the Authority's Financial Improvement and Sustainability Plan.

## Supplementary Accounting Statements

- **Significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control**, due to:
  - Significant deficiencies in internal control identified in relation to the accounts closure process contributed to material errors identified in the draft 2020/21 financial statements, which also required material corrections to the accounts for 2021/22 and 2022/23. The weaknesses included the capability and capacity of the finance team in relation to financial reporting and the quality of the financial statements and supporting working papers including the quality of the audit trail between the accounting records and the financial statements.
  - The Authority has identified material adjustments to the Council's financial position, including its General Fund reserves, during the 2023/24 accounts closure process through their review of balance sheet accounts. Although this process was not designed to quantify or correct for the impact on the financial position at 31 March 2022 and 31 March 2023, the impact is material to the financial statements in both years. The financial statements have not been adjusted to correct for these items.

We recommended:

- The Authority addresses the gaps in the capability and capacity in the finance function (including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit). This should include ensuring that there is sufficient capacity and capability to respond to audit queries during the audit period, as well as to ensure reliable in year reporting and operation of effective accounting control processes, and to address other recommendations made.
  - The Authority continues to progress actions to address other control recommendations we have reported for both the Authority and Pension Fund, including recommendations from previous years.
  - The Audit and Governance Committee strengthens its oversight of corrective action taken in response to internal and external audit recommendations.
- **Significant weaknesses in governance arrangements in respect of informed decision making and risk management**, due to
    - The head of internal audit was able to provide only limited assurance on the Authority's system of internal control in 2022/23.
    - The findings from internal audit's review indicate a significant weakness in the design and operating effectiveness in the risk management framework.
    - Significant weaknesses in arrangements for informed decision making and risk management have been identified through external and internal review processes during 2022/23, as well as in preceding years, and actions to address these weaknesses were ongoing over this period.

We recommended the Authority:

- Completes the implementation of the council's action plan to respond to internal and external reviews of financial and wider governance, including internal audit's review of risk management, and thereafter ensures on-going maintenance and monitoring of the operation of the new processes and procedures.
- Carries out a review of the council's compliance with the CIPFA Financial Management Code and report on the results in the Annual Governance Statement.

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

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



## Supplementary Accounting Statements

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

### **Other matter on which we are required to report by exception**

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

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit.

Notwithstanding our disclaimer of an opinion on the financial statements, and subject to the pervasive limitation described above, we have nothing to report in respect of this matter.

### **Reports in the public interest or to the regulator**

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

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

We have nothing to report in respect of these matters.

### **CERTIFICATE OF COMPLETION OF THE AUDIT**

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

## Supplementary Accounting Statements

### Use of our report

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



Jonathan Gooding (Key Audit Partner)  
For and on behalf of Deloitte LLP  
London, United Kingdom  
13 December 2024

**The Royal County of Berkshire  
Pension Fund Financial  
Statements  
2022/23**

## Supplementary Accounting Statements

### Fund Account at 31 March 2023

2021/22 £'000		Notes	2022/23 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(148,184)	Contributions	7	(174,447)
(9,791)	Transfers in from other pension funds	8	(23,344)
<b>(157,975)</b>			<b>(197,791)</b>
122,560	Benefits	9	123,640
23,894	Payments to and on account of leavers	10	32,617
<b>146,454</b>			<b>156,257</b>
<b>(11,521)</b>	<b>Net additions from dealings with members</b>		<b>(41,534)</b>
40,011	Management expenses	11	33,177
<b>28,490</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(8,357)</b>
	<b>Returns on investments</b>		
(34,584)	Investment income	12	(41,507)
(48)	Taxes on income	13	(2)
(259,350)	Profits and losses on disposal of investments and changes in the market value of investments	14	(41,046)
<b>(293,982)</b>	<b>Net return on investments</b>		<b>(82,555)</b>
<b>(265,492)</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>(90,912)</b>
(2,400,207)	<b>Opening net assets of the scheme</b>		(2,665,699)
<b>(2,665,699)</b>	<b>Closing net assets of the scheme</b>		<b>(2,756,611)</b>

### Net Assets Statement at 31 March 2023

2021/22 £'000		Notes	2022/23 £'000
2,792,141	Investment assets	14	2,888,160
(138,414)	Investment liabilities	14	(143,420)
<b>2,653,727</b>	<b>Total net investments</b>		<b>2,744,740</b>
16,336	Current assets	21	19,124
<b>16,336</b>			<b>19,124</b>
(4,364)	Current liabilities	22	(7,253)
<b>(4,364)</b>			<b>(7,253)</b>
<b>2,665,699</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>2,756,611</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other 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 2023

#### Note 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.

#### Note 1) 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.

#### Note 1) b) Membership

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

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

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

Membership details are set out below:

<b>The Royal County of Berkshire Pension Fund</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
Number of employers with active members	189	186
<b>Number of employees in scheme</b>		
Administering authority	1,483	1,467
Unitary authorities	14,465	14,161
Other employers	10,011	10,687
<b>Total</b>	<b>25,959</b>	<b>26,315</b>
<b>Number of pensioners</b>		
Administering authority	2,179	2,268
Unitary authorities	11,557	12,175
Other employers	7,620	7,873
<b>Total</b>	<b>21,356</b>	<b>22,316</b>
<b>Deferred pensioners</b>		
Administering authority	3,488	3,424
Unitary authorities	17,042	17,313
Other employers	7,557	8,057
<b>Total</b>	<b>28,087</b>	<b>28,794</b>
<b>Total number of members in pension scheme</b>	<b>75,402</b>	<b>77,425</b>

## Supplementary Accounting Statements

### Note 1) 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 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2022/23, employer contribution rates ranged from 10.9% to 29.6% of pensionable pay.

### Note 1) d) Benefits

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

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

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

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

### Note 2) Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('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 2022/23.

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.

### Note 3) Summary of significant accounting policies

#### Note 3) a) Fund account - revenue recognition

##### i. 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.

## Supplementary Accounting Statements

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.

### ii. 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.

### iii. Investment income

#### 1. 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.

#### 2. Dividend income

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

#### 3. 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.

#### 4. 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.

### Note 3) b) Fund Account - expense items

#### i. 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.

#### ii. 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.

#### iii. Management expenses

## Supplementary Accounting Statements

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:

### 1. 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.

### 2. 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.

### 3. 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.

## Note 3) c) Net Assets Statement

### i. 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).

### ii. 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.

### iii. 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.

### iv. 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.



## Supplementary Accounting Statements

### v. 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.

### vi. Actuarial present value of promised retirement benefits

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

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

### vii. 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).

### viii. 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.

### Note 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).

## Supplementary Accounting Statements

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

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

The items in the financial statements and notes at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £78.58 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £37.77 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £113.51 million.
Longevity insurance policy	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2023 is (£143.42 million). This valuation depends on a number of complex judgements including the discount and mortality rates.	Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.
Private equity investments	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The valuations of private equity investments are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.

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### 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.

### Note 6) Events after the reporting date

#### Note 6) a) 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 2023) 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 year's 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.

#### Note 6) b) 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 2023 which reflect the conditions as at 31 March 2023. During the preparation of the statement of accounts, the fund manager's valuation as at 31 March 2023 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 2023 £m	Manager's value 31 March 2023 £m	Difference £m
Global Equities	1,331.81	1,331.81	(0.00)
Private Equity	380.03	393.56	13.53
Credit	335.01	343.25	8.24
Fixed Income	61.97	61.97	(0.00)
Infrastructure	376.61	386.41	9.80
Real Estate	345.30	337.93	(7.37)
Diversifying Strategies	1.48	1.48	(0.00)
Other Investment Assets	1.89	1.89	(0.00)
Cash	29.88	29.88	(0.00)
Longevity contract	(143.42)	(143.42)	0.00
<b>Total</b>	<b>2,720.56</b>	<b>2,744.76</b>	<b>24.20</b>

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### Note 7) Contributions receivable

#### Note 7) a) By category

2021/22 £'000		2022/23 £'000
31,542	Member's contributions	34,006
	Employers' contributions	
74,040	Normal contributions	79,168
40,211	Deficit recovery contributions	60,470
2,391	Augmentation contributions	803
116,642	Total Employers' contributions	140,441
148,184		174,447

#### Note 7) b) By type of employer

2021/22 £'000		2022/23 £'000
12,935	Administering authority	13,553
121,974	Scheduled bodies	146,519
5,820	Admitted bodies	5,909
7,455	Transferee admission body	8,466
148,184		174,447

### Note 8) Transfers in from other pension funds

2021/22 £'000		2022/23 £'000
9,278	Individual transfers from other pension funds	16,423
0	Group transfers from other pension funds	6,170
513	AVC to purchase scheme benefits	751
9,791		23,344

### Note 9) Benefits payable

#### Note 9) a) By category

2021/22 £'000		2022/23 £'000
98,371	Pensions	103,934
19,926	Commutation and lump sum retirement benefits	17,404
4,263	Lump sum death benefits	2,302
122,560		123,640

#### Note 9) b) By type of employer

2021/22 £'000		2022/23 £'000
13,095	Administering authority	12,795
97,454	Scheduled bodies	98,398
8,218	Admitted bodies	8,490
3,793	Transferee admission body	3,957
122,560		123,640

## Supplementary Accounting Statements

### Note 10) Payments to and on account of leavers

2021/22 £'000		2022/23 £'000
857	Refunds to members leaving service	951
7,210	Group transfers to other pension funds	11,107
15,827	Individual transfers to other pension funds	20,559
23,894		32,617

### Note 11) Management expenses

2021/22 £'000		2022/23 £'000
2,115	Administrative costs	2,155
37,810	Investment management expenses	30,961
86	Oversight and governance costs	61
40,011		33,177

### Note 11) a) Investment management expenses

2022/23	Management fees £'000	Performance fees £'000	Transaction costs £'000	Total £'000
LPPI Pooled Investments	18,677	541	1,849	21,067
Directly held Investments	8,869	514	59	9,442
Other	186	0	0	186
	<b>27,732</b>	<b>1,055</b>	<b>1,908</b>	<b>30,695</b>
Custody fees				266
				<b>30,961</b>

2021/22	Management fees £'000	Performance fees £'000	Transaction costs £'000	Total £'000
LPPI Pooled Investments	16,741	5,500	1,500	23,741
Directly held Investments	10,700	2,300	600	13,600
Other	210	0	0	210
	<b>27,651</b>	<b>7,800</b>	<b>2,100</b>	<b>37,551</b>
Custody fees				259
<b>Total</b>				<b>37,810</b>

### Note 12) Investment income

2021/22 £'000		2022/23 £'000
14,031	Income from equities	13,742
1,552	Income from bonds	1,311
10,039	Private equity income	16,359
8,937	Pooled property investments	7,067
0	Pooled investments - unit trusts & other managed funds	1,991
25	Interest on cash deposits	1,037
34,584	Total before taxes	41,507

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### Note 13) Other fund account disclosures

#### Note 13) a) Taxes on income

2021/22 £'000		2022/23 £'000
(179)	Withholding tax - equities	(127)
131	Withholding tax - pooled property investments	125
(48)		(2)

#### Note 13) b) External audit costs

2021/22 £'000		2022/23 £'000
35	Payable in respect of external audit	327
35		327

\* Includes the impact of known additional fees in respect of 2019/20 (£98k), an estimate of additional fees in respect of 20/21, 21/22 and 22/23 (£190k), scale fees for 22/23 (£25k) and additional IAS19 assurance letters to employers net of any cost recharging (£14k).

### Note 14) Investments

#### Note 14) a) Market value of investments

Market value 31 March 2022 £'000		Market value 31 March 2023 £'000
	Investment assets	
48,394	Equities	
	Global Equities	1,331,805
737,474	Private Equity	393,555
1,658,740	Pooled investments	
	Credit	343,250
	Fixed Income	61,967
	Infrastructure	386,410
321,096	Real Estate	337,931
7,831	Liquidity funds	0
	Diversifying Strategies	1,477
802	Other Investment assets	1,712
10,869	Cash deposits	29,875
6,935	Amounts receivable for sales	178
2,792,141	Total investment assets	2,888,160
	Investment liabilities	
	Derivative contracts:	
(138,414)	• Longevity Insurance Policy	(143,420)
0	Amounts payable for purchases	0
(138,414)	Total investment liabilities	(143,420)
2,653,727	Net investment assets	2,744,740

## Supplementary Accounting Statements

From 2022/23, Investment Assets have been categorised in accordance with performance reporting categories but not re-stated for prior years

### Note 14) b) Reconciliation of movements in investments and derivatives

	Market value 1 April 2022	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 2023
	£'000	£'000	£'000	£'000	£'000
Global Equities	1,266,375	50,219	(11,570)	26,781	1,331,805
Private Equity	399,453	54,380	(70,833)	10,555	393,555
Credit	352,800	466	(9,429)	(587)	343,250
Fixed Income	79,113	1,782	(14,901)	(4,027)	61,967
Infrastructure	337,483	79,171	(9,815)	(20,429)	386,410
Real Estate	321,096	26,898	(30,341)	20,278	337,931
Liquidity funds	7,831	109,850	(117,680)	(1)	0
Diversifying Strategies	9,384	24,112	(32,804)	786	1,477
	<b>2,773,535</b>	<b>346,878</b>	<b>(297,373)</b>	<b>33,355</b>	<b>2,856,395</b>
Derivative contracts:					
- Longevity insurance policy	(138,414)	8,360	0	(13,366)	(143,420)
	<b>2,635,121</b>	<b>355,238</b>	<b>(297,373)</b>	<b>19,989</b>	<b>2,712,975</b>
Other investment balances:					
- Cash	10,869			21,057	29,875
- Other Investment assets	802				1,712
Amounts payable for purchases	0				0
Amounts receivable for sales	6,935				178
<b>Net investment assets</b>	<b>2,653,727</b>			<b>41,046</b>	<b>2,744,740</b>

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### Reconciliation of movements in investments and derivatives – prior year

	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)	6,039	48,394
Pooled investments	1,517,667	130,283	(134,592)	145,382	1,658,740
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	156,472	(76,641)	95,663	737,474
	<b>2,500,298</b>	<b>438,700</b>	<b>(440,024)</b>	<b>274,561</b>	<b>2,773,535</b>
Derivative contracts:					
- Forward currency contracts	(2,636)	35,365	(17,385)	(15,344)	0
- Longevity insurance policy	(133,191)	8,080	0	(13,303)	(138,414)
	<b>2,364,471</b>	<b>482,145</b>	<b>(457,409)</b>	<b>245,914</b>	<b>2,635,121</b>
Other investment balances:					
- Cash deposits	17,149			13,436	10,869
- Investment income due	972				802
Amounts payable for purchases	(0)				0
Amounts receivable for sales	0				6,935
<b>Net investment assets</b>	<b>2,382,592</b>			<b>259,350</b>	<b>2,653,727</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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### Note 14) c) Investments analysed by fund manager

Market value at 31 March 2022 £'000	% of Market value 31 March 2022 %	Fund Type	Market value at 31 March 2023 £'000	% of Market value 31 March 2023 %
<b>Investment managed within LPPI asset pools</b>				
300,201	11.3	LPPI Credit Credit	301,513	11.0
210,862	7.9	LPPI Real Estates Real Estate	196,898	7.2
1,266,375	47.7	LPPI Global Equities Global Equity	1,331,805	48.5
79,113	3.0	LPPI Fixed Income Fixed Income	61,967	2.3
198,249	7.5	LPPI Infrastructure Infrastructure	271,149	9.9
118,691	4.5	LPPI Private Equity Private Equity	150,530	5.5
<b>2,173,491</b>	<b>81.9</b>		<b>2,313,861</b>	<b>84.4</b>
<b>Investments managed outside asset pool:</b>				
43,837	1.7	Gresham House Asset Management Limited Private Equity	40,498	1.5
4,557	0.2	Technology Enhanced Oil Limited Private Equity	4,853	0.2
3,570	0.1	Cheyne Capital Management LLP Credit	2,240	0.1
4,957	0.2	BlackRock Diversifying Strategies	0	0.0
3,915	0.2	Select Market Diversifying Strategies	1,090	0.0
512	0.0	Securis Investment Partners LLP Diversifying Strategies	387	0.0
96	0.0	SPL Guernsey ICC Ltd Private Equity	96	0.0
1,321	0.1	Northern Trust Liquidity funds	0	0.0
6,510	0.3	Aviva Liquidity funds	0	0.0
6,237	0.2	Jones Lang LaSalle Real Estate	0	0.0
72,181	2.7	LaSalle Investment Management (Jersey) Limited Real Estate	60,613	2.2
31,816	1.2	Milltrust International LLP Real Estate	8,934	0.3
0	0.0	Future Planet Capital Real Estate	21,759	0.8
43,532	1.6	Gresham House Asset Management Limited Real Estate	49,728	1.8
7,584	0.3	Athyrrium Capital Management LP Credit	6,733	0.2
6,584	0.3	Derwent Shared Equity LLP Credit	4,284	0.2
11,926	0.5	Dorchester Capital Advisors, LLC Credit	9,398	0.3
3,101	0.1	Grosvenor Capital Management L.P. Credit	1,950	0.1
1,671	0.1	Neuberger Berman Credit	1,060	0.0
2,627	0.1	Partners Group Credit	1,853	0.1
4,241	0.2	Rutland Partners LLP Credit	2,474	0.1
11,294	0.4	WP Global Partners Credit	11,745	0.4

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37,456	1.4	Adams Street Partners	Private Equity	29,544	1.1
2,110	0.1	CORE alpha Private Equity Partners Partnership Fund IV, L.P.	Private Equity	2,620	0.1
8,014	0.3	Coral Reef Capital	Private Equity	5,971	0.2
22,081	0.8	Future Planet Capital	Private Equity	49,744	1.8
11,381	0.4	Macquarie Group	Private Equity	14,990	0.5
604	0.0	Henderson Equity Partners	Private Equity	629	0.0
5,829	0.2	ICG PLC	Private Equity	6,370	0.2
8,548	0.3	Kuramo Capital	Private Equity	6,571	0.2
5,705	0.2	Longwall Venture Partners LLP	Private Equity	6,880	0.3
16,153	0.6	Neuberger Berman	Private Equity	0	0.0
28,278	1.1	Milltrust International LLP	Private Equity	0	0.0
701	0.0	Organox	Private Equity	701	0.0
100	0.0	Orthoson	Private Equity	221	0.0
1,964	0.1	Longwall Ventures	Private Equity	1,964	0.1
900	0.0	Oxsonics Ltd	Private Equity	462	0.0
4,323	0.2	Pantheon Ventures	Private Equity	3,177	0.1
5,526	0.2	Partners Group	Private Equity	3,292	0.1
14,104	0.5	Sarona Asset Management Inc	Private Equity	10,900	0.4
3,671	0.1	South East Growth Fund	Private Equity	4,096	0.2
1,484	0.1	Stafford CP	Private Equity	1,114	0.0
1,242	0.1	BMO Global Asset Management	Private Equity	866	0.0
52,098	2.0	WP Global Partners	Private Equity	47,466	1.7
1,636	0.1	African Infrastructure Investment Managers Pty Ltd	Infrastructure	1,350	0.1
16,497	0.6	Climate Fund Managers	Infrastructure	20,690	0.8
66,522	2.6	Gresham House Asset Management Limited	Infrastructure	82,691	3.0
947	0.0	Macquarie Group	Infrastructure	1,276	0.1
1,971	0.1	Macquarie Infrastructure Partners Inc.	Infrastructure	584	0.0
8,130	0.3	The Rohayton Group (TRG)	Infrastructure	8,670	0.3
<b>600,044</b>	<b>22.6</b>			<b>542,534</b>	<b>19.6</b>
		<b>Other</b>			
(138,414)	-5.2	Longevity Insurance Policy		(143,420)	-5.2
10,869	0.4	Cash with investment managers		29,875	1.1
6,935	0.3	Amount receivable for sales		178	0.0
0	0.0	Amount payable for purchases		0	0.0
802	0.0	Other Investment assets		1,712	0.1
<b>(119,808)</b>	<b>-4.5</b>			<b>(111,655)</b>	<b>-4.0</b>
<b>2,653,727</b>	<b>100.0</b>	<b>Total</b>		<b>2,744,740</b>	<b>100.0</b>

The following investments represent more than +/- 5% of the net assets of the fund.

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Investment	Market value 31 March 2022 £'000	% of total fund	Market value 31 March 2023 £'000	% of total fund
Longevity Insurance Policy	(138,414)	(5.2)	(143,420)	-5.2
LPPI Infrastructure	198,249	7.4	271,149	9.8
LPPI Global Equities Fund	1,266,375	47.5	1,331,805	48.3
LPPI Credit Investments LP	300,201	11.3	301,513	10.9
LPPI Real Estates ACS	210,862	7.9	196,898	7.1

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.

### Note 15) Analysis of derivatives

#### Objectives and policies for holding derivatives

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

#### Note 15) a) 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.

### Note 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
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid values on published exchanges	Not required	Not required

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Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - unit trusts	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
Unquoted bonds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and venture Capital Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own

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				reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
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### Note 16) a) 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 2023 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	25.5%	356,892	447,721	266,063
Infrastructure	12.6%	386,410	434,982	337,838
Real Estate	16.9%	337,931	395,143	280,719
Credit	10.1%	343,250	377,781	308,719
<b>Total</b>		<b>1,424,483</b>	<b>1,655,627</b>	<b>1,193,339</b>

### Note 16) b) 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.

#### i. 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.

#### ii. 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.

#### iii. 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.

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Values at 31 March 2023	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	
Financial assets at fair value through profit and loss	36,663	1,395,249	1,424,483	2,856,395
Financial liabilities at fair value through profit and loss			(143,420)	(143,420)
Cash deposits	29,875			29,875
Other Investment assets	1,712			1,712
Amounts receivable for sales	178			178
<b>Net investment assets</b>	<b>68,428</b>	<b>1,395,249</b>	<b>1,281,063</b>	<b>2,744,740</b>

Values at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	
Financial assets at fair value through profit and loss	51,668	1,358,538	1,363,329	2,773,535
Financial liabilities at fair value through profit and loss	0	0	(138,414)	(138,414)
Cash deposits	10,869	0	0	10,869
Investment due	802	0	0	802
Amounts receivable for sales	6,935	0	0	6,935
<b>Net investment assets</b>	<b>70,274</b>	<b>1,358,538</b>	<b>1,224,915</b>	<b>2,653,727</b>

### Note 16) c) Reconciliation of fair value measurements within level 3

	Market value 31 March 2022	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Credit	352,800	466	(9,429)	2,070	(2,657)	343,250
Infrastructure	337,483	79,171	(9,815)	1,447	(21,876)	386,410
Private Equity	351,950	54,380	(70,833)	40,083	(18,688)	356,892
Real Estate	321,096	26,898	(30,341)	(4,144)	24,422	337,931
Longevity insurance policy	(138,414)	8,360	0	0	(13,366)	(143,420)
	1,224,915	169,275	(120,418)	39,456	(32,165)	1,281,063

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	Market value 31 March 2021	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted equity	4,376	0	0	181	0	4,557
Private equity	821,472	186,472	(76,641)	70,999	35,374	1,037,676
Pooled property	293,617	0	0	27,479	0	321,096
Longevity insurance policy	(133,191)	8,080	0	(13,303)	0	(138,414)
	986,274	194,552	(76,641)	85,356	35,374	1,224,915

### Note 17) Financial instruments

#### Note 17) a) Classification of financial instruments

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

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	31 March 2022 £'000	£'000	£'000	31 March 2023 £'000	£'000
<b>Financial assets</b>					
48,394					
1,658,740					
737,474					
321,096					
7,831					
10,869	6,309				
	7,737				
	964				
<b>2,784,404</b>	<b>15,010</b>	<b>-</b>	<b>2,886,270</b>	<b>21,013</b>	<b>-</b>
<b>Financial liabilities</b>					
(138,414)					
	0			0	
		(3,128)			(6,037)
<b>(138,414)</b>	<b>-</b>	<b>(3,128)</b>	<b>(143,420)</b>	<b>-</b>	<b>(6,037)</b>
<b>2,645,990</b>	<b>15,010</b>	<b>(3,128)</b>	<b>2,742,850</b>	<b>11,497</b>	<b>(6,037)</b>

Debtors exclude contributions receivable.

Creditors excludes taxes and benefits payable.

## Supplementary Accounting Statements

### Note 17) b) Net gains and losses on financial instruments

31 March 2022		31 March 2023
£'000		£'000
	<b>Financial Assets</b>	
287,999	Fair value through profit and loss	79,456
<b>287,999</b>		<b>79,456</b>
	<b>Financial Liabilities</b>	
(28,649)	Fair value through profit and loss	(38,410)
<b>(28,649)</b>		<b>(38,410)</b>
<b>259,350</b>	<b>Total</b>	<b>41,046</b>

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

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

#### Note 18) a) 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.

#### i. 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.

#### ii. Other price risk



## Supplementary Accounting Statements

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

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

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

### Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return by the Fund's investment advisors during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period:

Asset type	Potential market movements (+/-)
Global Equity	19.0%
Fixed Income	3.6%
Credit	10.1%
Diversifying Strategies	7.2%
Real Estate	16.9%
Private Equity	25.5%
Infrastructure	12.6%

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

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

Asset type	Value as at 31 March 2023 £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
<b>Investment portfolio assets:</b>				
Global Equities	1,331,805	253,176	1,584,981	1,078,629
Fixed Income	61,967	2,256	64,223	59,711
Credit	343,250	34,531	377,781	308,719
Diversifying strategies	1,477	107	1,584	1,370
Real Estate	337,931	57,212	395,183	280,719
Private Equity	393,555	100,160	493,715	293,395
Infrastructure	386,410	48,572	434,982	337,838
Net derivative liabilities	(143,420)	-	(143,420)	(143,420)
Cash deposits	29,875	-	29,875	29,875
Other Investment assets	1,712	-	1,712	1,712
Amount receivable from sales	178	-	178	178
<b>Current assets:</b>				
Debtors	10,288	-	10,288	10,288
Cash balances	8,836	-	8,836	8,836
<b>Current liabilities</b>				
	(7,253)	-	(7,253)	(7,253)
<b>Total</b>	<b>2,756,611</b>		<b>3,252,625</b>	<b>2,260,597</b>

## Supplementary Accounting Statements

Asset type	Value as at 31 March 2022 £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
<b>Investment portfolio assets:</b>				
<b>Equities:</b>				
Unlisted	48,394	13,657	62,051	34,737
<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	303,772	23,178	326,950	280,594
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	350,963	99,042	450,005	251,922
Credit	49,028	3,741	52,769	45,287
Infrastructure	337,483	58,925	396,408	278,558
<b>Net derivative liabilities</b>	(138,414)	-	(138,414)	(138,414)
<b>Cash deposits</b>	10,869	-	10,869	10,869
<b>Investment income due</b>	802	-	802	802
<b>Amount receivable for sales</b>	6,935	-	6,935	6,935
<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>2,665,699</b>		<b>3,193,052</b>	<b>2,138,346</b>

### iii. 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 2023 and 31 March 2022 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:

## Supplementary Accounting Statements

Asset exposed to interest rate risk	Value as at 31 March 2023	Change in year in the net assets available to pay benefits + 100 BPS	Change in year in the net assets available to pay benefits - 100 BPS
	£'000	£'000	£'000
Investments - Liquidity funds	0	0	0
Investments - Cash deposits	29,875	0	0
Current assets - Cash balances	8,836	0	0
<b>Total change in assets available</b>	<b>38,711</b>	<b>0</b>	<b>0</b>

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	Change in year in the net assets available to pay benefits - 100 BPS
	£'000	£'000	£'000
Investments - 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>25,009</b>	<b>0</b>	<b>0</b>

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2023	Effects on income values  + 100 BPS	Effects on income values  - 100 BPS
	£'000	£'000	£'000
Cash balances / cash and cash equivalents	1037	1,047	1,027
Fixed Income	1,311	1,311	1,311
<b>Total change in assets available</b>	<b>2,348</b>	<b>2,358</b>	<b>2,338</b>

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2022	Effects on income values  + 100 BPS	Effects on income values  - 100 BPS
	£'000	£'000	£'000
Cash balances / cash and cash equivalents	25	25	25
Fixed Income	1,552	1,552	1,552
<b>Total change in assets available</b>	<b>1,577</b>	<b>1,577</b>	<b>1,577</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

## Supplementary Accounting Statements

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.

### iv. 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.

Denominated currency	Value as at 31 March 2023 £'000	Potential volatility (+/-)	Value on increase £'000	Value on decrease £'000
AUD	16,713	10.2%	18,414	15,011
CAD	0	9.8%	0	0
CHF	0	10.4%	0	0
EUR	10,388	8.4%	11,260	9,515
JPY	0	13.1%	0	0
NOK	0	12.0%	0	0
NZD	13,980	10.2%	15,403	12,557
USD	298,128	12.9%	336,676	259,580
<b>Total</b>	<b>339,209</b>		<b>381,753</b>	<b>296,663</b>

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>

### v. 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.

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

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

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £38.71m (31 March 2022: £25.01m). This was held with the following institutions:

	Rating	Balances as at 31 March 2022 £'000	Balances as at 31 March 2023 £'000
<b>Money Market funds</b>			
Aviva	AAA	6,510	0
JP Morgan	AAA	0	0
Legal & General	AAA	0	0
Northern Trust	AAA	1,321	0
<b>Bank deposit accounts</b>			
JP Morgan	AA-	10,869	29,875
<b>Bank current accounts</b>			
Lloyds	A+	6,309	8,836
<b>Total</b>		<b>25,010</b>	<b>38,711</b>

### vi. 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 2023 the value of illiquid assets was £1,128.69m, which represented 40.9% of the total fund net assets (31 March 2022: £1,058.57m, which represented 39.4% of the total fund net assets).

### vii. 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.

### viii. 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.

### Note 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 2022. The next valuation will take place as at 31 March 2025.

## Supplementary Accounting Statements

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 18 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 2022 actuarial valuation, the Fund was assessed as 86% funded (78% at the March 2019 valuation). This corresponded to a deficit of £446m (2019 valuation: £597m) at that time.

At the 2022 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 18 years was 23.4% 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:

### Note 19) a) Financial assumptions

Discount Rate	5.1% per annum for both unitary authorities and other employers
Pension and Deferred Pension Increases	2.9% per annum
Short term pay increases	not applicable
Long term pay increases	3.9% per annum

### Note 19) b) Mortality assumptions

Current mortality	110% (Male) / 105% (Female) of the S3PA tables
Mortality Projection	2021 CMI Model with a long-term rate of improvement of 1.25% p.a

## Supplementary Accounting Statements

### Note 19) c) 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.

### Note 20) Actuarial present value of promised retirement benefits

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

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2023 was £3,582m (31 March 2022: £5,219m). The net assets available to pay benefits as at 31 March 2023 was £2,757m (31 March 2022: £2,666m). The implied Fund deficit as at March 2023 was therefore £825m (31 March 2022: £2,553m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Note 20) a) IAS19 assumptions used

Inflation/pension increase rate assumption	2.85%
Salary increase rate	3.85%
Discount rate	4.80%

### Note 20) b) 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.

### Current assets

31 March 2022		31 March 2023
£'000		£'000
2,716	Contributions due - employees	2,572
6,347	Contributions due - employers	6,945
964	Sundry debtors	771
<b>10,027</b>	<b>Debtors</b>	<b>10,288</b>
6,309	Cash balances	8,836
<b>16,336</b>		<b>19,124</b>

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### *Analysis of debtors*

31 March 2022 £'000	31 March 2023 £'000
6,734 Other local authorities	6,705
3,293 Other entities & individuals	3,583
<b>10,027</b>	<b>10,288</b>

### **Note 21) Current liabilities**

31 March 2022 £'000	31 March 2023 £'000
(4,230) Sundry creditors	(6,092)
(134) Benefits payable	(1,161)
<b>(4,364)</b>	<b>(7,253)</b>

### **Note 21) a) Analysis of creditors**

31 March 2022 £'000	31 March 2023 £'000
(1,102) Central government bodies	(1,216)
(1,516) Other local authorities	(3,733)
(1,746) Other entities & individuals	(2,304)
<b>(4,364)</b>	<b>(7,253)</b>

### **Note 22) Additional voluntary contributions**

Market value 31 March 2022 £'000	Market value 31 March 2023 £'000
16,847 Prudential	15,748
7 Equitable Life	7
18 Clerical Medical	18
<b>16,871 Total</b>	<b>15,773</b>

AVC Contributions of £1.79m were paid directly to Prudential during the year (2021/22: £1.72m).

### **Note 23) Related party transactions**

#### **Note 23) a) 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 £2.155m (2021/22: £2.115m) 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 £13.6m (2021/22: £12.9m).

#### **Note 23) b) Governance**

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



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

### Note 23) c) Key management personnel

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

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Resources (up to March 2023), the Head of Finance and Head of Pension Fund. Their remuneration is set out below.

2021/22		2022/23
£'000		£'000
206	Short-term benefits	79
38	Post-employment benefits	50
<u>244</u>		<u>129</u>

### Note 24) Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2023 totalled £360.049m (31 March 2022: £278.743m).

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.

### Note 25) Contingent assets

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

**Independent Auditors report on  
The Royal Berkshire Pension Fund  
financial Statements  
2022-23**

## Supplementary Accounting Statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD ON THE PENSION FUND FINANCIAL STATEMENTS OF THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

#### REPORT ON THE AUDIT OF THE 2022-23 FINANCIAL STATEMENTS

##### **Disclaimer of opinion**

We do not express an opinion on the accompanying financial statements of the Royal County of Berkshire Pension Fund ('the pension fund') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the fund account.
- the net assets statement; and
- the related notes 1 to 25.

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

##### **Basis for disclaimer of opinion**

The pension fund is administered by the Royal Borough of Windsor and Maidenhead ("the Authority"), therefore the Authority includes the pension fund's financial statements within its statement of accounts. The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, including the pension fund's financial statements and an accompanying auditor's report, for the year ended 31 March 2023 by 13 December 2024.

Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the pension fund's financial statements.

##### **Chief Financial Officer's responsibilities**

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

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

##### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Supplementary Accounting Statements

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

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the pension fund and its control environment and review the pension fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the pension fund operates in.

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

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations.
- where available, reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

### **Use of our report**

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

Jonathan Gooding (Key Audit Partner)  
For and on behalf of Deloitte LLP  
London, United Kingdom  
13 December 2024



# Annual Governance Statement 2022-23

## Supplementary Accounting Statements

### Executive Summary

1. We are required to report publicly about how the Council has complied with its governance arrangements, including how they have operated over the course of the 2022/23 financial year and if any areas require improvement. This Annual Governance Statement reports the outcome of the assessment.
2. Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner. We recognise the importance of having good governance, which includes effective leadership and management, policies, and procedures, to ensure we have a well-run Council that delivers high quality, value for money services to the local community. We also acknowledge our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded.
3. The Council is committed to being efficient and effective in delivering improved outcomes for our residents and communities. We are open and transparent about our continuous improvement journey.
4. We recognise that good governance requires a culture of continuous improvement and challenge, and we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance.
5. This review and Statement were prepared before we identified significant issues affecting the financial wellbeing and resilience of the Council. It has not been possible to redraft the assessment due to the lack of historic corporate knowledge from the period of the assessment. However, the 2023/24 assessment and action plan will bring together areas for improvement and progress will be reported to Audit and Governance Committee.
6. We identified significant issues while finalising the financial statements for 2021/22 and 2022/23 which has delayed the review by the external auditors. Although the accounts have been updated to address some of these issues, it has not been possible to fully update them in the time available before the statutory backstop date of 13 December 2024. Details of the principal issues that have not been addressed are included in the Statement of Responsibilities and in note 6 of the 2022/23 financial statements.
7. These accounts and this related AGS covers a period before the current Chief Executive was recruited to the council in RBWM in April 2023 and before the current Leader and Committee Chairman took up their positions following the change of administration at the May 2023 local elections.
8. The Council commissioned reviews through the Chartered Institute of Public Finance and Accountancy (CIPFA) to include financial resilience review, systems and processes and the governance arrangements for the wholly owned property company. The outcomes and recommendations of these reviews will inform the recovery and improvement plan.
9. The Council is in discussions with the Ministry of Housing, Communities and Local Government for exceptional financial support.

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### Scope of Responsibility

1. The Royal Borough of Windsor and Maidenhead ('the Council') is responsible for ensuring that its business is conducted in accordance with the law, proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
2. This statement summarises the outcome of the Council's review of the governance arrangements that were in place during 2022/23.
3. The Council is responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. The local code of governance is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.
4. The Local Code of Governance framework comprises a collection of systems, policies, procedures, rules, processes, behaviours, and values by which the Council is controlled and governed. The Framework has been reviewed during the current financial year.
5. The effectiveness of key elements of the governance framework are assessed throughout the year by the Statutory Governance Officer Group, Senior Leadership Team (SLT), Corporate Leadership Team (CLT), the Audit and Governance Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.
6. This Annual Governance Statement (AGS) explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015.

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### The purpose of the governance framework

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

### The governance framework

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

- A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This has now been supplemented by work done by the Centre for Governance and Scrutiny through the "Governance Risk and Resilience Framework" 2021 which give authorities a method of strength testing their governance control environment against the CIPFA principles.

### Review of effectiveness

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

In 2022/23 this review was led by the Statutory Governance Officers Group comprising the Chief Executive, Monitoring Officer, s151 Officer, Head of Legal, Head of Finance, Head of Governance, and Assistant Director SWAP Internal Audit Services with input from other officers as relevant. The review was informed by the work of:



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- The Chief Executive, Directors, and Monitoring Officer (and Deputies) who have responsibility for the development and maintenance of the governance environment. This was through a process of consulting on a draft Annual Governance Statement.
- The Assistant Director SWAP Internal Audit Services annual report and opinion, and by comments made by the external auditors and other review agencies and inspectorates.
- The Council's external auditor.
- The Council's Section 151 Officer who has statutory responsibility for ensuring the proper management of the Council's financial affairs.
- The Council's Overview & Scrutiny Panels and Audit and Governance Committee
- The CIPFA review of Financial Governance undertaken in July 2019
- LGA Peer Review undertaken in January 2022 with follow up in October 2022.

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

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

### Findings

The findings of this review are outlined under points below:

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

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

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

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

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

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

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

Complaints in relation to the Member Code decreased during 2022/23.

#### **Demonstrating strong commitment to ethical values**

The governance function of the Council is growing in robustness with a focus on ethical values. The appointment of two Deputy Monitoring Officers and a new Independent Person has strengthened this function, together with the legal service being brought in house. A new Code of Conduct has been developed by the LGA for adoption on a national basis. This was considered by full Council in April 2021 and a new code adopted, which was

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followed by additional training. Guidance and support have been provided to Members across all groups in relation to the application of the Code.

The Monitoring Officer reports annually to the Member Standards Panel on the operation of the Code of Conduct and other associated ethical issues through their annual report and reports on any issues that trigger the Section 5 duty.

Member behaviour was an issue identified by the Peer Review Team and work was undertaken to address those issues resulting in less complaints for the current year.

The Section 151 Officer was the Executive Director for Resources (until March) and was responsible for financial administration and financial probity and prudence in decision making. Since that time the s151 role has been filled on an interim basis by the Head of Finance. Both roles are defined within Part 5B of the Constitution.

The Assistant Director (SWAP) is responsible for providing assurance on internal controls, governance and risk management arrangements and ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud. A new delivery partner (Southwest Audit Partnership) has been appointed since April 2022.

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and officers regarding the administration of financial affairs. The Corporate Policy on the Prevention and Detection of Fraud and Corruption (updated Feb 2021) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

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

Members and officers are required to comply with approved policies.

### Respecting the rule of law

The Monitoring Officer was the Director, Law and Strategy and Public Health until March 2023. The Monitoring Officer role is being filled on an interim basis by the Head of Law and Governance.

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

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

The Action Plan for the 2020/21 AGS identified that better guidance, controls, and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution. Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination. Training for key officers and Members on roles and responsibilities has been delivered. A new process in relation to delegated decision making has been introduced following an audit of delegated decision making and this has resulted in more decisions being recorded.

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

The Council has not been subject to any successful judicial reviews of its decisions during 2022-23

In particular, the process around equality impact assessments (EQIAs) has been strengthened through work on Equality, Diversity and Inclusion, and the Inequalities Project.

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The control environment relating to procurement has been further embedded, focusing on more scrutiny on contracts procured outside the standing orders and those needing re-procurement having been initially procured during the Covid 19 pandemic. This has in large part been resolved.

Attention following an audit of contract management has turned to strengthening the contract register and how contracts are managed within RBWM.

### **B: Ensuring openness and comprehensive stakeholder engagement.**

#### **Openness**

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

- 'Around the Royal Borough' – a newsletter sent to all residents and weekly online residents' newsletter and other service specific newsletters.
- The Council Website
- Social media including Facebook and Twitter including some service specific accounts.
- The annual online Council Tax leaflet
- E newsletter to parishes

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

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

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

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

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

The Council operates a clear and transparent policy and procedure for dealing with complaints about the Council's services and reports on complaints received and lessons learnt.

RBWM publishes data under the Government's Transparency Code including Council spending, Council contracts and senior salaries.

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

RBWM's commitment to transparency, as detailed above, enables the public to assess this and they can then use the complaints policy and the consultation process to feed back their views.

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The Corporate Plan, developed with partners, outlines how RBWM commits to work in the public interest. This takes an evidence-based approach and has now been approved.

New performance indicators and metrics have been developed to support the corporate plan and will lead to greater accountability. A new performance framework has been developed and is able to be accessed through the newly launched “Citizens Portal”, that gives enhanced visibility over all of the data being collected and monitored.

A Resident’s Survey has been conducted to baseline some of the “Council Trusted to Deliver” metrics, this has allowed the Council to understand and report on levels of satisfaction with Council services and the way that the Council and area are perceived. This has been supplemented by the Inequalities Project, which has focussed on areas where needs are not met optimally at the current time and allows the Council to understand its own performance better.

### Engaging comprehensively with institutional stakeholders

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

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

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

This seeks to ensure that the Consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council’s decision making. The consultation portal ‘Engagement HQ’ is used by RBWM for both public and internal consultations.

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

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

A budget consultation was undertaken during December 2022 and January 2023. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

Key stakeholders and residents were consulted on the Corporate Plan.

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

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

The pandemic has encouraged the public to attend meetings online in increasing numbers. These can also be viewed on demand through the council’s e democracy channel on YouTube. New audio-visual equipment has been installed in the Council Chamber to enable a good quality of broadcasting online and improve functionality in the Chamber.

The Petitions Scheme is available online.

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

During 2021/22 the Council developed its new Corporate Plan and following consultation with Members, stakeholders, and residents the plan was approved in November 2021.

The corporate plan sets out an overarching vision of 'Creating a sustainable borough of innovation and opportunity' and is framed around three key objectives:

- **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.
- **A Council trusted to deliver its promises.**

The plan sets out the following priorities, which respond to evidence on the key challenges within the borough and the priorities of our residents:

- Taking action to tackle climate change and its consequences and improving our natural environment: the council has declared a Climate Emergency, and this priority sets out the actions we will drive forward as a council – and collectively – to reduce emissions, protect our natural environment and to adapt to climate impacts.
- Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper this recognises the need to invest in new infrastructure to support the borough's future prosperity and sustainability, including digital, low carbon, transport, and community infrastructure.
- A ladder of housing opportunity, to support better life chances for all: this recognises the challenges faced by many residents due to the lack of affordable housing in the borough. Helping more residents into affordable, sustainable homes, is a key part of our strategy to reduce inequality.

The Plan is supported by a new performance management framework.

### Defining outcomes

The Citizens' Portal is a public dashboard, which provides information about the council's performance.

The portal enables the public to view the council's performance and progress against the goals for 2021-26. It has been developed to improve transparency and accountability. Performance is tracked against each of the 50 goals in the Plan, as part of the performance management framework.

The Citizens' Portal provides easy access to a wide range of information. It is structured around the three objectives and 50 goals in the Corporate Plan. A selection of metrics and / or milestones have been included under each goal, to enable the public to view our progress.

The portal is focused on the outcomes the Council wants to achieve in the borough and presents data showing progress and performance on the delivery of key programmes – from electric vehicle charging points, to rates of childhood obesity.

Performance data is used by services to manage at a service level but also to improve performance across the whole Council through the Performance and Risk Management Board, an officer working group.

Performance Reports are considered by the Corporate Overview and Scrutiny Panel and supported by the Policy and Performance Team. The Panel can refer issues to either of the other two Overview and Scrutiny Panels. This allows the Panels to drill down into detail on outcomes to understand and challenge performance across the authority.

### Sustainable economic, social, and environmental benefits

The Council approved a five-year plan in November 2021.

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The plan set out the following priorities, which respond to evidence on the key challenges within the borough and the priorities of our residents:

- Taking action to tackle climate change and its consequences and improving our natural environment: the council has declared a Climate Emergency, and this priority sets out the actions we will drive forward as a council – and collectively – to reduce emissions, protect our natural environment and to adapt to climate impacts.
- Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper this recognises the need to invest in new infrastructure to support the borough's future prosperity and sustainability, including digital, low carbon, transport, and community infrastructure.
- A ladder of housing opportunity, to support better life chances for all: this recognises the challenges faced by many residents due to the lack of affordable housing in the borough. Helping more residents into affordable, sustainable homes, is a key part of our strategy to reduce inequality.

These are defined by a set of measured outcomes and performance indicators through the Performance Management Framework.

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

#### **Determining interventions**

The Corporate Plan has been developed through a data driven approach, and wide community and stakeholder engagement and is supported through a new Performance Management

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

Subsequent to the Plan's adoption, new arrangements were agreed by Cabinet on 20 December 2021 in relation to how performance against the Corporate Plan is reported. These arrangements include the establishment of a new public-facing online "Citizens' Portal", and agreement that the Corporate Overview & Scrutiny Panel takes primary responsibility for Member Scrutiny of the council's performance, receiving routine reports identifying areas of progress and areas of concern.

#### **Planning interventions**

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

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

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

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

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



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

Scrutiny members have been trained this year on good scrutiny practice.

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

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

Decision-making reports require an Equality Impact Assessment to be completed and, where appropriate, a Data Protection Impact Assessment.

### Optimising achievement of intended outcomes

The new Performance Management Framework focuses on measuring outcomes.

Subsequent to the Corporate Plan's adoption, new arrangements were agreed by Cabinet on 20 December 2021 in relation to how performance against the Corporate Plan is reported. These arrangements include the establishment of a new public-facing online "Citizens' Portal", and agreement that the Corporate Overview & Scrutiny Panel takes primary responsibility for Member Scrutiny of the council's performance, receiving routine reports identifying areas of progress and areas of concern.

The Citizens' Portal was launched in April 2022 as a public-facing online dashboard setting out performance indicators and activities to show progress against the 50 goals in the Corporate Plan as part of the council's commitment to transparency and accountability. The Portal represents a substantial step forward in how the council shares performance information and will continue to be developed over time, with more information across the whole portal and particularly in relation to "A council trusted to deliver" goals.

Following the launch of the Portal, the Strategy, Policy & Performance Team has worked closely with relevant Corporate Plan goal owners to establish target trajectories and tolerance thresholds for performance indicators featured on the Portal. Target trajectories and tolerance thresholds are the key enablers for RAG (Red, Amber, Green) statuses to be determined. Confirmed target trajectories and tolerance thresholds were applied to the Citizens' Portal from 1 July 2022.

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

#### Developing the entity's capacity

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

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

Employees' annual training and development needs are identified through the performance management process. In addition to a comprehensive induction programme, there are a number of internal training courses available to employees, covering a wide range of topics and issues. Each service area completes an annual Training Needs Analysis to identify individual officer development.

All Officers receive regular one to ones with their manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against

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objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular staff satisfaction surveys.

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

A LGA Peer Review was conducted in January 2022 with a subsequent action plan developed. A follow up review was conducted in October 2022.

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

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

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

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

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

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

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

#### Managing risk

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

They are available to staff with accompanying guidance, and these are reviewed at least annually to ensure they remain fit for purpose and adhere to best practice.

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

Risks are identified within any reports submitted for decision making.

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

The risk management framework has been reviewed as part of the Internal Audit work done this year.

#### Managing performance

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The



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Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

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

### Robust internal control

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

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

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

It has been agreed that a Shareholder Panel will be introduced for the Council's Property Company "RBWM Property Company Ltd" to strengthen the Council's oversight as shareholder of the Company. The Shareholder Panel will be the formal mechanism by which the Council will scrutinise company performance, risk, delivery, and direction of travel and will also provide a forum for the Property Company to formally raise any issues with the Council.

Further work is planned this year in respect of the Council's other Teckel companies.

### Managing data

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

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

In relation to GDPR, link officers identified for each service area have been provided with ongoing support to ensure all documents including service area Information Asset Registers (IAR) and Registers of Processing Activity (RoPA) are regularly reviewed, monitored, and kept up to date.

### Strong public financial management

Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The Chief Financial Officer was the Executive Director for Resources until March and is now the Head of Finance.

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is always safeguarded, ensuring that budgets are agreed in advance and are robust, that value for money is provided by council services, and that the finance function is fit for purpose. The s151 Officer advises on financial matters to both the Cabinet and full Council and should be actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff should ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the Council.

The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or maintain a balanced budget. The s151 Officer also has a number of statutory powers in order to allow this role to be carried

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out: e.g. Under Section 25 of the Local Government Act 2003 the S151 officer is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. Under Section 114 of the Local Government Finance Act 1988 the chief financial officer has the power to issue a Section 114 notice (S114) if they judge that the council is unable to set or achieve a balanced budget.

The Council has Financial Regulations which provide a framework to identify financial responsibilities and the financial limits assigned to individual Officers. These also outline the responsibilities in relation to partnerships and commissioning arrangements. The Financial Regulations are kept under regular review.

Training for all budget holders on financial processes of compliance for approving spend and monitoring have been held; further training will be provided throughout the financial year on relevant topics to ensure that financial best practice is core to the way the organisation operates. A suite of online finance training videos has been introduced.

An officer Capital Review Board was introduced during 2020/21 to provide more oversight and challenge around the capital programme as well as consider the council's capital strategy and this is working effectively.

This review and Statement were prepared before we identified significant issues affecting the financial wellbeing and resilience of the Council. It has not been possible to redraft the assessment due to the lack of historic corporate knowledge from the period of the assessment. However, the 2023/24 assessment and action plan will bring together areas for improvement and progress will be reported to Audit and Governance Committee.

We identified significant issues while finalising the financial statements for 2021/22 and 2022/23 which has delayed the review by the external auditors. Although the accounts have been updated to address some of these issues, it has not been possible to fully update them in the time available before the statutory backstop date of 13 December 2024. Details of the principal issues that have not been addressed are included in the Statement of Responsibilities and in note 6 of the financial statements.

During 2024, the Council commissioned reviews through the Chartered Institute of Public Finance and Accountancy (CIPFA) to include financial resilience review, systems and processes and the governance arrangements for the wholly owned property company. The outcomes and recommendations of these reviews will inform the recovery and improvement plan.

### **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

#### **Implementing good practice in transparency**

The Council and its decisions are open and accessible to the community, service users, partners, and its staff. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 give anyone the right to ask for any information held by the Council except where an exemption or exception can be lawfully applied to such information.

All reports requiring a decision must be considered by appropriately qualified legal and finance staff with expertise in the particular function area before they are progressed to the relevant committee/forum. The Council is committed to its equality responsibilities. To meet these responsibilities, equality impact assessments are undertaken where appropriate. EQIAs are a systematic way of taking equal opportunities into consideration when making a decision and should be conducted when there is a new or reviewed strategy, policy, plan, project, service, or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups.

The Action Plan for the 2020/21 AGS identified that better guidance, controls, and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution and this is complete.

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Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination.

Following the issuing of updated guidance on decision making to all relevant officers and a joint Member/CLT workshop on officer/Member roles and responsibilities, there has been a clear improvement in the application of governance procedures.

This has included regular review of the Forward Plan, ensuring sign-off of reports by statutory officers and an increased use of officer decision forms. Ongoing Member peer support via the LGA has also been provided to political groups.

### Implementing good practices in reporting

All reports are checked by the statutory officers or their staff prior to submission and seen by Directors Team. Reports are on a standard template. Delegated decisions are recorded with reasons.

The Forward Plan is available on the website.

Oversight is provided through the Overview and Scrutiny Panels.

### Assurance and effective accountability

RBWM's values focus on accountability and the work leading to the development of those values has been important in driving forward the culture of the Council in the past year. For the forthcoming year we need to do more work in embedding those values and this is reflected in the Action Plan.

The Local Government Act 2000 requires a local authority acting under Executive arrangements to have one or more Overview and Scrutiny Panels. In 2021/22 the Council operated four Overview and Scrutiny Panels. These panels support the work of the Cabinet and the Council as a whole. They may make reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. Following a recommendation from the LGA Peer Review, full Council agreed in May 2022 to amend the committee structure to three Panels to align with the Directorates and Corporate Plan.

The Overview and Scrutiny Panels also monitor the decisions of the Cabinet. They can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables the Panel to consider whether the decision is appropriate. It may recommend that the Cabinet reconsider the decision. The Panels may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. Details of the Council's Overview and Scrutiny Panels can be located on the Council's website.

Induction, training, and support is provided to individual Members and whole committees to support them in their policy development and holding-to-account roles.

In 2022/23 scrutiny in RBWM was supported by officers within Democratic Services and the Democratic Services Team Manager is the Statutory Scrutiny Officer. Work will be undertaken as part of the AGS Action Plan to develop the role of other officers in the Council to support Overview and Scrutiny more effectively. A dedicated Scrutiny Officer has been placed in post.

The Head of Finance, Executive Director of Resources and Internal Audit meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided.

The Audit and Governance Committee has undertaken the key functions required of it by Chartered Institute of Public Finance's (CIPFA) guidance on the role of audit committees.

The Audit and Governance Committee role and purpose is set out in Articles of the constitution.

The Committee has a close working relationship with the internal and external auditors.

The Committee met 5 times during the 2022/23 financial year, in public.

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Their work has included receiving internal audit and counter fraud progress reports, including detail of all limited assurance reviews and the extent to which remedial recommendations have been implemented.

The Council is required to publish the unaudited Statement of Accounts for the financial year ending 31 March 2023 by 31 May 2023. The Council has not yet published the draft Statement of Accounts for 2022/23 nor commenced the period for the exercise of public inspection.

The Council will publish a draft set of accounts as soon as reasonably practicable, following which the period for the exercise of public inspection will commence. The delay has arisen due to the continued inherent complexity and disclosure requirements of Local Government financial reporting, and the increased assurance work that auditors are required to carry out nationally with respect to asset valuations.

Also, the limited availability of the staff members critical to the production of these statements throughout the statement preparation period has contributed to the delay.

A further notice will be published in due course setting out the public inspection period as soon as the draft 2022/23 Statement of Accounts have been finalized for a period of public inspection prior to external audit. The Internal Audit Plan is regularly reported to Committee.

### Head of Internal Audit Opinion

The Head of Internal Audit's overall audit opinion on the internal control environment (framework of governance, risk management and internal control) for 2022-23 was that.

“Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.”

The Head of Internal Audit Annual Report for 2022/23 provides a summary of the activity used to support this opinion.

### External Audit

There is a national issue that is well recognised in terms of the local government accounts and audit.

The completion of the 2019/20 audit was delayed by the need to resolve a number of objections received to the accounts, adjustments required to correct accounting issues identified, as well as a national issue around the valuation of infrastructure assets. The 2019/20 statement of accounts were signed on 1 March 2023.

The completion of the 2020/21 audit was delayed by consequent changes required for matters arising from the 2019/20 audit, the need to resolve a number of objections received to the accounts, adjustments to correct accounting issues identified, as well as the need to consider a national issue around Reinforced autoclaved aerated concrete (RAAC) and its potential impact on the Council's assets. The 2020/21 statement of accounts were signed on 8 April 2024 and included a 'limitation of scope' over National Non-Domestic rates related debtors and creditors.

The accounts for 2021/22 were published for public inspection in August 2022, and for 2022/23 in July 2023. Due to the delays in the completion of the previous accounts and audits, the audit of the Council accounts for these years had not been started by our external auditors. Following the announcement of the 'backstop' arrangements, it was concluded there was insufficient time to complete the Council audits for 2021/22 and 2022/23, and the pension fund audit for 2022/23, prior to the backstop.

In accordance with the national backstop arrangements, the audit reports of our outgoing auditor, Deloitte LLP, include a disclaimer of opinion on the 2021/22 and 2022/23 Council financial statements. Their audit report on the pension fund includes an unmodified opinion on 2021/22 and includes a disclaimer of opinion for 2022/23.

Deloitte's audit reports on the Council includes details of the material issues that it has not been possible to adjust for in the financial statements in the time available.

Deloitte have also reported significant weaknesses in respect of the Council's Value for Money arrangements for both 2021/22 and 2022/23, in respect of:

- Financial planning, particularly in relation to managing financial risks.

## Supplementary Accounting Statements

- Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.
- Governance arrangements, particularly in respect of informed decision making and risk management.

## Supplementary Accounting Statements

### Action for 2023/24

Subject	Action (s)	Responsible Officer	Target completion date
<b>Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.</b>	Training of the O&S Panels with Local Government Association and Centre for Governance and Scrutiny  Review of Code of Conduct Assessment Processes  Launch of Procurement Toolkit	Head of Law & Governance  Head of Law & Governance  Head of Finance	December 2023  May 2023  October 2022
<b>Ensuring openness and comprehensive stakeholder engagement</b>	Adoption of a new Engagement Approach	Head of Strategy	May 2023
<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits.</b>	Embedding new Performance Management Framework.	Head of Strategy	May 2023
<b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>	Embedding new Performance Management Framework.  Introduction of Regular Review of Performance by the Corporate O&S Panel	Head of Strategy  Head of Law & Governance	May 2023  January 2024
<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it.</b>	Further development of Induction Programme for New Members  Development of the Scrutiny function with Members.	Head of Law & Governance  Head of Law & Governance	Oct 2022  Dec 2023

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<b>Managing risks and performance through robust internal control and strong public financial management.</b>	Embedding new Performance Management Framework.	Head of Strategy	May 2023
	Review of Risk Management	Head of Finance	Feb 2023
	Review of Council's Governance of the Property Company and establishment of a Shareholder Panel	Executive Director (Place) & Head of Law & Governance	July 2023
	Review of procurement and contract management	Head of Finance	May 2023
	Review Whistleblowing Policy	Head of HR, IT and Projects and Head of Law & Governance	December 2023
<b>Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</b>	Further development of the Scrutiny function with Members.	Head of Law & Governance (G1)	Dec 2023
	Implementation of robust and transparent communications for advising councillors of service delivery issues	Head of Strategy	December 2023

## Supplementary Accounting Statements

### CONCLUSION

As at the date of signing, we recognise that the above assessment and governance statement was prepared in relation the arrangements the arrangements that were in place for 2022/2023 and was based on information available at the time

During 2023 and 2024, the council has identified significant issues affecting the financial wellbeing and resilience of the Council and plans are in place to address these. However it has not been possible to redraft the assessment to the lack of historic corporate knowledge from the period of the assessment.

The 2023/24 assessment and action plan will bring together areas for improvement across the wider governance arrangements and progress against the action plan will be reported to Audit and Governance Committee.

The 2022/2023 accounts and this related AGS covers a period before the current Chief Executive was recruited to the council in RBWM in April 2023 and before the current Leader and Committee Chairman took up their positions following the change of administration at the May 2023 local elections. As such, this sign off is provided on the basis that the named individuals were not in positions of authority at the council for the period in question.

Signed by:

Cllr Julian Tisi  
Chairman, Audit and Governance Committee  
on 10 December 2024

Stephen Evans  
Chief Executive  
on 10 December 2024

Cllr Simon Werner  
Leader of the Council  
on 10 December 2024



## Supplementary Accounting Statements

### 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 non-occurrence 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.

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### **Debt**

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

### **Debtor**

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

### **Depreciation**

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

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

### **Finance Lease**

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

### **Impairment**

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

### **Infrastructure Assets**

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

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

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

### **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.

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### 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 arm's length.

### Liquid Resources

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

### Minimum Revenue Provision

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

### Net Debt

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

### Net Book Value

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

### Net Current Realisable Costs

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 taxpayers to fund another, non-tax collecting authority's expenditure. Precepts are issued by Parish Councils and the local police authority.

## Supplementary Accounting Statements

### Prior Period Adjustments

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

### Prudence

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

### Related Parties

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

### Related Party Transaction

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

### Remuneration

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

### Reserves

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

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

### Residual Value

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

### Retirement Benefits

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

### Revenue Expenditure funded from Capital under Statute

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

### Inventories

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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.