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Taking pride in our communities and town

Date of issue: 18th September, 2014

MEETING	**AUDIT AND RISK COMMITTEE** (Councillors Chohan (Chair), Dhaliwal, Dhillon, Mansoor, Sandhu and Zarait) **CO-OPTED INDEPENDENT MEMBER** Mr Ajay Kwatra
DATE AND TIME:	TUESDAY, 23RD SEPTEMBER, 2014 AT 6.30 PM
VENUE:	MEETING ROOM 2, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
DEMOCRATIC SERVICES OFFICER: **(for all enquiries)**	SHABANA KAUSER 01753 787503

SUPPLEMENTARY PAPERS

The following Papers have been added to the agenda for the above meeting:-

* Items 3 and 4 were not available for publication with the rest of the agenda.

PART 1

sustainable forest

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 23rd September 2014

CONTACT OFFICER: Joseph Holmes, Assistant Director; Finance & Audit
(For all enquiries) (01753) 875358

WARD(S): All

PART I
FOR DECISION

APPROVAL OF THE 2013-14 FINANCIAL STATEMENTS

1 Purpose of Report

To provide members of the Audit & Risk Committee the opportunity to receive and question the Council's external auditors concerning the audit of the 2013-14 financial statements, and to then approve the financial statements.

2 Recommendation(s)/Proposed Action

1. To note the External Auditors report on the Council's financial statements for the 2013-14 financial year and the accompanying recommendations going forward.

2. To approve the Council's financial statements for the 2013-14 financial year

3 The Joint Wellbeing Strategy, the JSNA and the Corporate Plan

3.1 Joint Wellbeing Strategy Priorities

The report indirectly supports all of the SJWS priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieve through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

4 Other Implications

(a) Financial

Detailed within the report.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	n/a	n/a
Property	n/a	n/a
Human Rights	n/a	n/a
Health and Safety	n/a	n/a
Employment Issues	n/a	n/a

Equalities Issues	n/a	n/a
Community Support	n/a	n/a
Communications	n/a	n/a
Community Safety	n/a	n/a
Financial – BDO have requested additional fee for their work on the financial statements	Response back to BDO on the scale and level of additional work that was completed	n/a
Timetable for delivery	n/a	n/a
Project Capacity	n/a	n/a
Other	n/a	n/a

No Human Rights Act Implications.

No identified need for the completion of an EIA

5 <u>Supporting Information</u>

5.1 Background

5.1.1 The Council is required to submit a signed copy of its financial statements to the external auditors, BDO, by the 30th June 2014. The Council completed this in line with statutory deadlines.

5.1.2 Over the summer period the Council's external auditors, BDO (independently appointed by the Audit Commission for the 2013-14 financial year), conduct a review of the Council and the financial statements produced and provide two opinions on this. Firstly, an opinion on the financial statements themselves and secondly, a Value for Money opinion.

5.1.3 BDO are required to provide this opinion to the Council by the 30th September.

5.1.4 The report from BDO covers the two opinions that they provide and detail how the Council complies, or otherwise, with these opinions. BDO also include recommendations for the Council going forward.

5.1.5 The summary points of the report are included within the BDO's report. However, it is important to note that the outcome of the audit by BDO is that there have been no adjustments to the bottom line level of general reserve that the Council has available, and that the proposed material adjustments reported by BDO have been made to the financial statements and are accounting adjustments to the presentation of the financial statements. Wherever BDO have found any errors or omissions, the Council has endeavoured to amend these, even where they are not material, so that the financial statements for members to approve are as accurate as possible. There remains some unadjusted audit amendments; however, these are all immaterial and are often based upon extrapolated errors. Management have decided not to adjust for these are they would be difficult to post to the financial statements with supporting evidence.

5.1.6 This will be the first year since 2009-10 that the Council has complied with the statutory deadlines for both preparing its financial statements to the auditor in line with the 30th June deadline and that the Council has is due to receive an external audit opinion in line with the 30th September deadline.

5.1.7 BDO also audit the Council's arrangements for putting in place arrangements for securing value for money. BDO are due to qualify this opinion on the basis of the judgements reached by Ofsted in respect of Children's Social Care. The VFM conclusion will state that in all significant respects, the Council secures value for money in its use of resources except for this matter.

6 Comments of Other Committees

N/A

7 Conclusion

That the Audit & Risk Committee approves the financial statements on the basis of the external auditors report and that these financial statements represent a true and fair view of the Council's financial activities in 2013-14. That the Council notes BDO's opinion on how the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

8 Appendix

Final Financial Statement 2013-14

Statement of Accounts

Statement of Accounts
2013 - 2014

CONTENTS

EXPLANATORY FOREWORD

1. Presentation of Accounts and Changes in Presentation

The Council's Accounts are presented in accordance with statutory requirements under the Accounts and Audit Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014.

2. Explanation of the Statement of Accounts

The Council's accounts are set out on pages **21** to **101**, and consist of the following:

- **The Movement in Reserves Statement**, which shows how the surplus or deficit in the Comprehensive Income and Expenditure Statement links with the movement on the General Fund balance for the year. The General Fund balance is key in determining Council Tax levels.

- **The Comprehensive Income and Expenditure Statement**, which summarises the Council's Comprehensive Income and Expenditure for all services provided during the year and the movements in the net worth of the council. This also shows how much is received from Council Tax receipts and central government.

- **The Balance Sheet**, which gives the Council's financial position as at the 31 March 2014 for the above mentioned areas and services. This shows what the Council owns and what is owed.

- **The Cash Flow Statement**, showing the movements in the Council's cash balances resulting from transactions with external organisations for both capital and revenue purposes.

- **Notes to the accounts**, which cover supplementary information to the above statements. This includes the Statement of Accounting Policies which explains the basis of the figures in the accounts and includes changes in policy, the basis of charges to revenue and the calculation of balance sheet items.

- **The Housing Revenue Account (HRA),** which provides details of the Comprehensive Income and Expenditure of the Council's dwellings and associated properties for which it is responsible as a landlord. This section includes a Statement of Movement on the HRA balance, which shows how the HRA Comprehensive Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA balance for the year and supplementary notes.

- **The Collection Fund**, which shows how income from Council Tax is used to meet expenditure by the Council and its preceptors, and shows the collection of Business Rates. The Council is required to maintain this separately from other funds and accounts.

- **The Pension Fund Accounts**, which provide information about the financial position, performance and the financial adaptability of the statutory pension fund. They show the results for the fund for the year and its assets at the period end.

- **Glossary of Financial terms**, which provides an explanation of terms used within the Accounts.

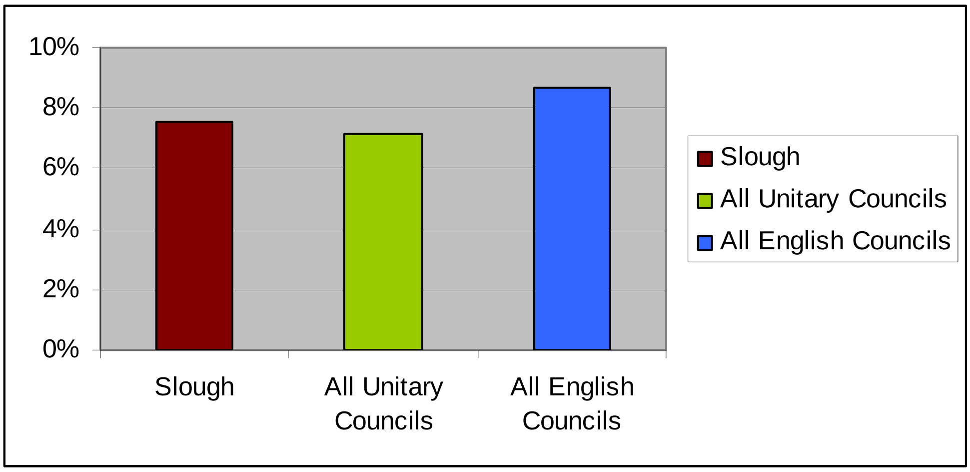
<u>Explanatory foreword to the financial statement 2013-14</u>

The presentation of the financial statements, and a timely external audit, is a key objective for the Council to assurance our stakeholders of good levels of financial management. This foreword is intended to highlight the most important matters during the financial year 2013-14. These financial statements are produced in accordance with the requirement of the 'Code of Practice on Local Authority Accounting in the United Kingdom' which adopts International Financial Reporting Standards.

Summary

The 2013-14 financial year must be set against the backdrop of a sustained reduction in Local Government funding at a time when demand for the service we provide remains, and is growing in many areas. During this year there have also been some significant Government reforms to Local Government Finance. The Council has successfully implemented a Council Tax Support scheme from the 1st April 2013, and has managed the volatility presented through the partial localisation of Business Rates receipts. Importantly, the Council has been able to successfully protect its General Fund Reserve at just above £8m.

Chart 1.1 General Reserves comparison



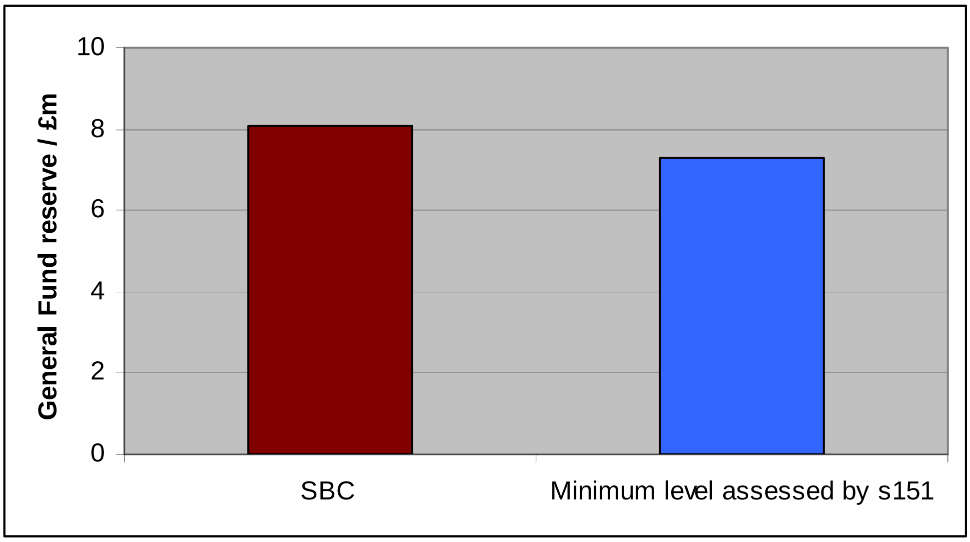
During the year, the Council has managed to maintain many areas of Council performance, with a notable highlighting being the continued improvements to Educational attainment, seeing Slough as the 7th best Education area in the country. There have also been a number of challenges facing the Council, most significantly the Ofsted inspection of Children's Social Care safeguarding. The outcome of inadequate for a second inspection in a row has led to the Government reviewing the future arrangements for delivering Children's Social Care at the Council and to delivery of improvements to the service. The outcome of this review will undoubtedly have a significant financial impact across the Council.

This was also the first full financial year for the Slough Regeneration Partnership, set up to maximise the use of Council assets through regenerating land for property. The fruits of this work, from a financial point of view, will be ongoing through future financial years.

Revenue

Overall, the Council has managed to achieve a break even position for the financial year, after adjustments to and from earmarked reserves. This is important, for it has meant the Council has protected its General Reserve level to above the minimum level set out by the Chief Financial Officer.

Chart 1.2: General Fund reserves vs. minimum level – 31.3.2014

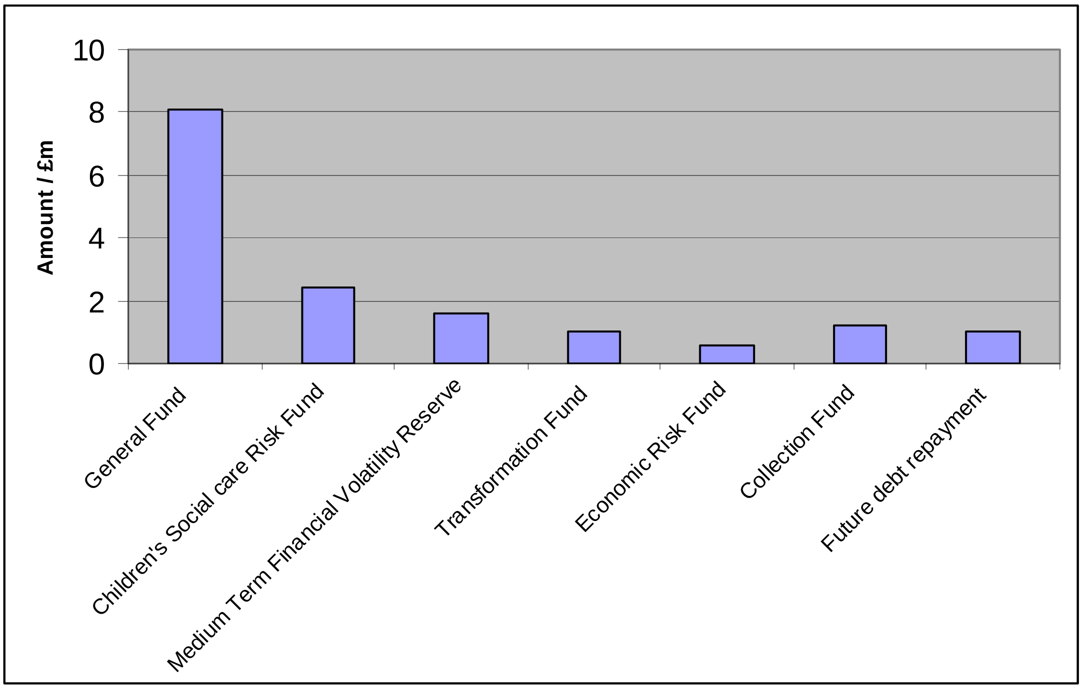


There have been some significant over and underspends during the financial year. Children's services overspent by £3m, though it is important to note that the impact of the this on 2014-15 budgets should be mitigated through a significant investment in this service in the 2014-15 budget proposals of over £3m to invest in Looked After Children's budgets and additional staffing costs. Savings were identified throughout many other Council service areas, including Adult Social Care, Education, Housing & Environment and Estates & Regeneration. Further information can be found in the Cabinet papers on the outturn at http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=109&MId=5134&Ver=4

As reported during the financial year, the Council has put additional budget into supporting the transactional services contract, as well as anticipating further income from Government grants following a revision to the net budget; overall, income has been in line with this revised budget. There have been further adjustments through the 'corporate' budget heading with transfers made to and from reserves. This includes a review of the earmarked reserves the Council has and regrouping these into a more streamlined listing for challenges that the Council faces going forward.

Income through the retention of business rates has led to a collection fund deficit position of £0.5m for the financial year, which will be charged to taxpayers in 2014-15. However, as per at budget setting, there is an expected £1.2m surplus on the Council Tax Collection Fund (which again is charged to 2014-15) through additional Council Tax received through an increase to the Council tax base, and from adjustments to the 2012-13 financial statements.

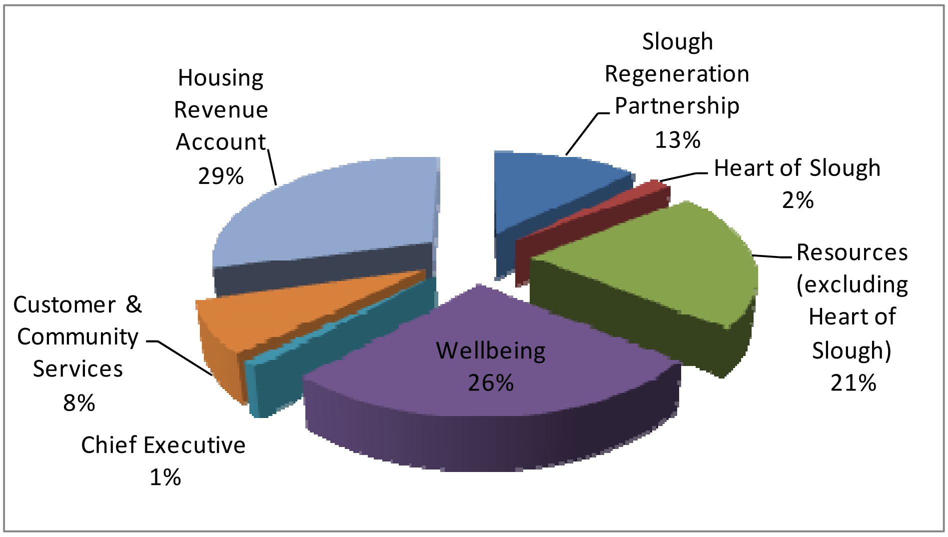
Chart 1.3: Key reserves



Capital and Treasury Management

The council spent 65% of its re-profiled capital programme allocated for 2013-14. Included within the programme has been the commencement of works completed at the Curve building in the centre of Slough which will be a significant capital scheme over the next two years, as well as a number of additional places being delivered at Schools across the borough. The main areas of capital spend that will be re-profiled into the next financial year include work at the cemetery and crematorium, works in the Housing Revenue Account and a number of ICT projects. Work is taking place at the Council's Capital Strategy Board to drive forward capital projects in the new financial year to improve the amount of the capital programme that is completed during the year.

Chart 1.4: Capital Spend 2014/14

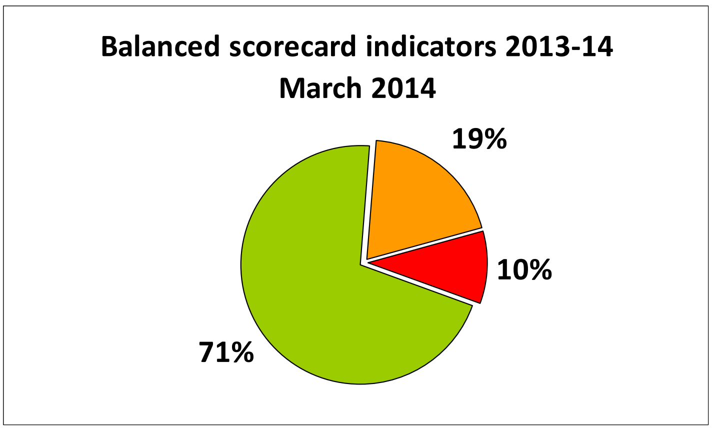


The Council has not undertaken any new borrowings during the year to finance capital spend, and at present is reducing its investment portfolio to avoid the costs of undertaking new borrowing for capital purposes in the medium term (see the balance sheet lien on 'long term borrowing'). The Council has adequate resources to fund the capital programme approved by Council in February 2014, though by utilising balances and investments, the Council will see a compensating reduction in investment returns, though this reduction is less than the cost of undertaking new borrowings.

During the year, the Council continued to invest in a wide range of financial institutions on a risk adverse basis. One area where the Council did receive additional investment returns was through its payment of employer pension contributions to the pension fund at the start of the year which generated a saving of £0.3m.

Performance of the Council

The Council monitors a balanced scorecard of various key performance measures during the financial year, with quarterly report going to the Council's cabinet. A summary of the results of these indicators is included below



It is positive to note that almost three quarters of the Council's performance indicators remain positive given the financial challenges that remain. The key areas of performance that need to improve concern the number of assessments that are completed within 45 days in children's social care with performance at 66% against a target of 100%. On Council Tax collection, the overall collection of Council Tax in year has fallen from 95.3% in 2012-13 to 94.8% in 2013-14. However, the introduction of the Council Tax Support scheme has led to a decrease in the overall amount, with a comparative amount of Council Tax collected in year on non Council Tax Support claimants being 95.7% against the 95.3% for the previous year. The other 'red' indicator is the number of households in temporary accommodation which has risen recently. It is important to note that none of these households are in bed and breakfast accommodation.

Accounting issues

Overall, the Council has experienced difficulties in preparing the financial statements on time and in line with external auditors' requirements, with 2009-10 being the last year that a very smooth process and outcome occurred. Much work has been put in place for the 2013-14 financial statements to ensure that the accounts have been approved by the section 151 officer (Chief Finance Officer) in advance of the statutory deadline of the 30th June 2014 and that a more comprehensive set of working papers are provided to the Council's external auditors, BDO.

There have been some changes to the accounting bases and management estimates including within the financial statements for 2013-14.

Firstly, as a result of the retention to business rates, the Council has had to put in place an estimate for the number of appeals to Business Rates. Based on historical information on appeal levels and known appeals in the current system, the Council has made a provision within the return to Government and financial statements. There may well be appeals that will happen in the future in respect of previous financial years; on the basis that the Council is unaware of these, they will be treated as contingent liabilities with any impact occurring during the year above the provision for appeals set aside potentially having an impact on the amount of Business Rates the Council can retain.
The Council has not included group accounts for the Slough Regeneration Partnership during 2013-14 based on low level of expenditure that has gone through the development arm of the SRP.

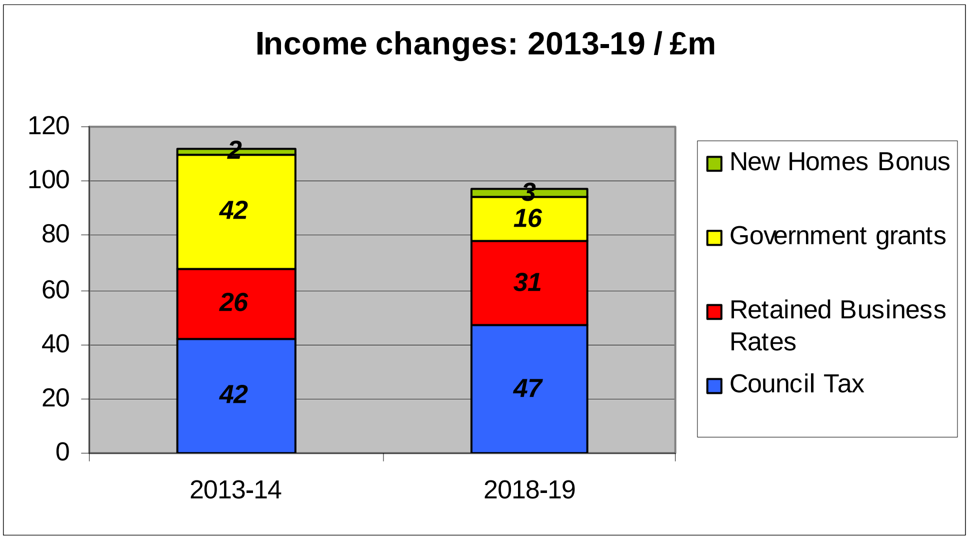
There have been no significant material provisions made during the year in the Council's financial statements.

Key issues for 2014-15

The wider economic picture

The Council remains in the middle of a significant reduction to public sector expenditure. As detailed below, the sources of the Council's income overall are reducing, though this is driven by Government funding reductions. This makes it even more important that the Council maximises its opportunity to collect Council Tax and Business Rates as efficiently as possible.

Chart 1.6: Changes to income in future years



The Council has some significant savings plans in future years. 2014-15 will see savings of over £12m with an even higher savings target likely for 2015-16. Beyond this, much will depend upon the performance of the macroeconomy as well as Government decisions, though the Council is anticipating reductions to Government funding of 20% into future years.

The Council has a background of delivering balanced budgets, and has been able to maintain general reserves at an appropriate level in recent years. It will be a significant challenge for the Council to maintain this momentum going forward, though past performance would indicate that the Council will rise to this challenge.

Children's services

Since the end of the financial year, the Council received a letter from the Government indicating that the provision of Children's services is unlikely to be left with the Council in the future. This will have a significant financial impact on the Council for its net budget will decrease, but the scale of funding reductions will not. This will be a key development for the Council to influence in the 2014-15 financial year and ensure that, for the viability of the current provision of services, whatever the new arrangements are remain affordable within the Council's funding envelope.

Treasury Management

The Full Council adopted a much more risk aware treasury management strategy in February 2014. For the financial statements in 2014-15, there will be a wider range of institutions invested with, and already at the start of the new financial year the Council has invested in some longer term investments with other local authorities, the CCLA (Charities, Churches and Local Authorities) property fund, and diversifying its investments with building societies and certificates of deposit.

Changes to accounting

One of the key changes upcoming for accounting regulations is the move to changing the measurement of transport infrastructure assets; primarily the value of highways that the Council includes within the financial statements. Though not occurring until after 2014-15, this change will involve the Council preparing for changes to valuations during the 2014-15 and this will be something that our external auditors will wish to consider.

The Council has also recently changed its banking contract following a tender with five other local authorities. From September, the Council will bank with Lloyds, rather than the Co-Op bank.

9. FURTHER INFORMATION

Further information about the accounts is available from:

The Assistant Director
Finance & Audit or the Corporate Financial Controller
Slough Borough Council
St Martins Place
51 Bath Road
Slough
SL1 3UF

joseph.holmes@slough.gov.uk
barry.stratfull@slough.gov.uk
Members of the public also have a statutory right to inspect the accounts each year before the audit is completed. The date and times of these inspections have been advertised in the local press

Annual Governance Statement

How did we do in 2013/14?
Were we well-governed?

Slough Borough Council
www.slough.gov.uk

Slough Borough Council

INTRODUCTION AND PURPOSE OF THIS DOCUMENT

This document is an assessment of our "governance", but what do we mean by that word? There is no legal definition of "governance", but we believe it is best summarised as:

having:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
- the right **plan of action** (including **vision, aims, approaches and ambitions)**; and
- the right **way of operating** (including openly, honestly and efficiently)

so that we deliver:

- the **right services**, to the **right people**, at the **right price** and at the **right time**.

Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) which in 2007 jointly published a "Framework for Delivering Good Governance in Local Government", updated by an Addendum in December 2012.

This guidance is recognised as the proper practices referred to in the Accounts & Audit Regulations that we must follow (and in that sense is the nearest one can get to the 'official' definition of Governance), and sets out six core principles of good governance, which we think are compatible with the summary we gave above.

CIPFA/SOLACE lists these core principles as:

1. **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**
2. **Members and Officers working together to achieve a common purpose with clearly defined functions and roles**
3. **Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
4. **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
5. **Developing the capacity and capability of Members and Officers to be effective**
6. **Engaging with local people and other stakeholders to ensure robust public accountability.**

The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our 'Annual Governance Statement' and includes a 'review of effectiveness'.**

This report is written under the authority of the council's Audit and Risk Committee and approved by it on 10th July 2014 through its delegated authority. It is signed by the Leader (an elected Councillor) and Chief Executive (an Officer) and published with the final accounts by 30th September 2014. It was submitted to our external auditors along with our annual accounts in July 2014; the auditors will consider whether the information we've submitted meets their expectations as part of their annual opinion in September 2014.

We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

GOVERNANCE STRUCTURES

In the Introduction above, the first thing we said was that we should have the right governance structures in place.

The key elements of the systems and processes that comprise Slough Borough Council's governance arrangements are set out below and include arrangements for:

- Identifying and communicating Slough Borough Council's Strategy that sets out its purpose and intended outcomes for citizens and service users
- Reviewing Slough Borough Council's Strategy and its implications for our governance arrangements
- Measuring the quality of services for users, ensuring they are delivered in accordance with Slough Borough Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating the Constitution including Contract and Financial Procedure Rules, the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)"
- The Governance and Audit Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities"
- A review of the effectiveness of Internal Audit
- Whistle-blowing and for receiving and investigating complaints from the public
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

This section reviews those structures. We govern ourselves through **Council**, a **Corporate Management Team**, **Cabinet** and **Committees**, and we have many **policies** in place that govern our activities and which we follow. These are listed in turn below:

- ***Council***

  The Council met eight times (including one extraordinary meeting). Of the 41 Councillors in place for 2013/14, the numbers attending were 36, 40, 38, 35, and on the first four standard meetings. Meetings of Council were held in open forum and considered reports from other committees.

- ***Corporate Management Team (CMT)***

  CMT meets regularly throughout the year, and reviews and approves reports before they are sent on for consideration by the relevant Committee. They are also involved in the development of new policies and strategies for the Council, either directly, or by management review and comment. Senior members are:

  – the **Chief Executive** (Ruth Bagley) is the person who is ultimately responsible for the welfare of the Council's employees;

  – the **Strategic Director, Wellbeing**;

  – the **Strategic Director, Customer & Community Services**; and

  – the **Strategic Director, Regeneration, Housing & Resources**.

- ***Supporting Officers***

- the **Section 151 Officer** (Joseph Holmes) is responsible for looking after the financial affairs of the Council, fulfils the role of Chief Financial Officer and is a CIPFA Qualified Accountant. The role of the Chief Financial Officer complies with the governance requirements as set out within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) through:
  - Being a key member of the Leadership Team, with a dotted reporting line to the Chief Executive, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives and having access to CMT papers and meetings
  - Being involved in all material business decisions made by the Council to ensure both immediate and long term risks and implications are considered and that these are in line with the financial strategy;
  - Leading the promotion and delivery of good financial management across the Council through ensuring that key financial targets are being and reporting on performance against these to CMT
  - Ensuring the finance function is well led and effectively resourced throughout the year.

- the **Monitoring Officer** (Kevin Gordon) is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about conduct and behaviour;

- ***Cabinet***

  The Cabinet is the Council's principal decision-making body, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a 'portfolio' for which they are 'Commissioners'. Although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party.

- ***Audit & Risk Committee***

  This Committee met five times during the year. Its main purposes are:

  – to provide independent assurance of the adequacy of the risk management framework and the associated control environment;

  – independent scrutiny of the authority framework and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment; and

  – to oversee the financial reporting process.

- ***Overview & Scrutiny Committee***

  The Overview & Scrutiny Committee consisted of nine non-Executive members (those who are not members of the Cabinet) and is appointed on a proportional basis (with political groups represented in the same proportion as on the whole Council). It monitored the performance of the Leader and Cabinet and scrutinises services and policies throughout the Borough, and makes recommendations for improvement. During the year, the Committee met ten times and:

  – considered an update on the first year's progress of the Transactional Services Centre Partnership and a further review of progress in-year

  – explored options for a Phase two of the Transactional Services programme.

  – reviewed and noted the Customer Service and Contact Strategy for 2013 - 2015

  – reviewed and noted the Corporate Plan for 2013/14

  – approved the appointment of three Scrutiny Panels

  – discussed the Childhood Obesity Review on a number of occasions

  – reviewed the Leisure Strategy

  – considered the Quarter 1 & 2 Performance and Finance Reports and sale of Parlaunt Road.

  – consideration was given to a report setting out the latest financial planning assumptions for the Council in the light of the Government's Spending Review announced in June 2013

  – considered an update report on the progress made within the Slough Regeneration Partnership (SRP) since its creation in March 2013 and Cabinet decision in September 2012 to create the Local Asset Backed Vehicle (LABV) .

  – considered a report on the progress made on the redesign process to deliver the web based Joint Strategic Needs Assessment (JSNA).

  There are also three Scrutiny Panels in addition to the Overview and Scrutiny Committee which focus on the different aspects of the council's work – Health, Neighbourhoods and Community Services and Education and Children's Services

  The Council also has other committees (planning, licensing etc), but these are not concerned directly with governance arrangements so are not listed here.

- ***Policies***

  The following table lists the Council's main documents, policies and procedures; we refer to and follow these, to make sure we do things in the right and consistent way. All these policies have been approved by your elected Councillors where required.

Title	Last updated

Constitution (including Financial Procedure Rules)	May 2013[1]
Corporate Procurement Strategy	March 2012
Corporate Plan	2013
Risk Management Strategy	2013
ICT Strategy	2012
Slough Joint Wellbeing Strategy	2013
Anti Fraud & Corruption Policy	2013
Asset Management Plan and Capital Strategy	2014
Whistleblowing Policy	May 2013
Statement of Accounts	October 2013

- Service Plans are a key document to enable the Council to identify how it will deliver its corporate objectives and plan within each service area. The following service plans were in place for 2013/14:
    - Adult Social Care & Commissioning
    - Chief Executive
    - Community and Skills
    - Corporate Procurement
    - Customer Service/Registration/Crematorium
    - Enforcement & Regulatory Services
    - Finance & Audit
    - Housing & Environment
    - IT
    - Professional Services
    - Regeneration & Estate
    - School Improvement

The only service plan for 2013/14 not completed was Children's Services. As of May 2014 almost all service plans for 2014/15 had been completed, however a Children's Services plan had not been submitted.

VISION, AIMS, APPROACHES AND ACTIONS

In the introduction to this document, the second thing we said we needed was the right plan of action.

The Council agreed the following **Vision** for itself:

"Our vision is of a council that can continue to adapt to and lead change, through new ways of working and commissioning services"

Every year we agree a **Corporate Plan**, showing how we will work towards this Vision. We have chosen to express this in terms of objectives supported by aims/ approaches/actions that will assist us in delivering our plan, because we believe that a clear, simple, transparent set of statements provides the best way of establishing and then achieving them, and of being able to monitor performance – all of which is good governance.

The 2013/2014 Corporate Plan had six strategic **objectives**:

1. Improve customer experience.
2. Deliver high quality services to meet local needs.
3. Develop new ways of working.
4. Deliver local and national change.
5. Develop a skilled and capable workforce.
6. Achieve value for money.

[1] Further revised in April 2014

REPORTING

In the Introduction, we said that we needed the right way of operating (including openly, honestly, efficiently, etc) so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also mentioned above that “it is standard practice to ‘work backwards’ and assess the results and performance, and infer that, if these outputs are good, that is a sign that the underlying governance is also working properly. This section reviews how we reported on the results.

Regular reporting

Within our Corporate Plan we have established a number of key performance indicators which we use to measure the performance of the performance of the Council during the year. These are reported in the form of a balanced scorecard. The following regular reports are received at our Cabinet meetings:

- **Corporate Plan**
- **Finance and Performance Report:** quarterly reporting on progress against the targets in the Corporate Plan and delivery of performance targets. We also publish detailed revenue and capital expenditure reports each quarter, and include financial forecasts.
- **Balanced Scorecard:** quarterly performance against the Council’s key performance indicators
- **Council’s Gold Projects Updates**: we publish quarterly performance in respect of the delivery of the Council’s Gold projects, which are our key strategic projects.
- **Financial and Performance Outturn Report**: we will publish a report following the year end detailing how we performed against our targets for 2013/14

We publish, annually:

- The **Audit of Accounts**: The format of these is set by accounting regulations. The council’s accounts are subject to external audit by BDO. Members of the public and local government electors have certain rights in the audit process.

- An **Annual Audit Letter:** Every year the council’s external auditors, currently BDO, produce an Annual Audit Letter. This letter is a high level summary of the auditors' findings from their work during the previous financial year.

Auditing and monitoring

The Council was subject to auditing and monitoring processes, which were intended to be objective and (where necessary) critical:

- ***Internal audit:*** we appointed Baker Tilly to carry out audits on a number of specific areas that we asked them to review. For each area of review, internal audit would typically provide assurance on the policies and procedures in place and the governance arrangements in operation to monitor the performance in that area. For each area a report was issued concluding with an assurance opinion that utilised a ‘traffic light’ system (red, amber, green) as to how they think each area was doing; and to make recommendations for changes to our procedures and governance arrangements. We then accepted or rejected each of their recommendations. Baker Tilly have provided an Annual Report in which it includes all the areas they investigated; what ‘traffic light’ they gave; how many [high/medium/low] recommendations they made and which were accepted.

  The Head of Internal Audit Opinion for 2013/14 provided a positive opinion on our Risk Management, Governance and Control Framework. Positive assurance opinions were provided in 37 of the 46 audit reports issued in 2013/14 (excluding follow up and advisory reviews). Of the nine red assurance opinions issued, five of these related to our audits of schools. Whilst our overall opinion of the internal control environment is positive, we have identified significant weaknesses in four areas and appropriate commentary in respect of actions proposed to address these weaknesses is included in the improvements section below.

  External audit: In 2012/13 the Council’s external auditors provided an unqualified opinion on the financial statements and on the delivery of value for money. This opinion was delivered late due to a level of additional work completed by BDO. BDO also qualified two of the grant claims, Housing and Council Tax Benefits subsidy 2012-13, and NNDR 2012-13. the Council has put in place a work stream to improve the compilation and presentation of the financial statements for 2013-14 with the aim of providing the financial statements to BDO in an improved quality thus enabling the accounts to audited in line with statutory deadlines.

Other external assurance sources: Sometimes we are reviewed by external bodies that look at certain services such as OFSTED on Safeguarding, which was an area for inspection in December 2013. This inspection was followed up and an Ofsted inspection report of services for children in need of help and protection, children looked after children and care leavers was published in February 2014 with an 'inadequate' rating. This resulted in the Parliamentary Under Secretary of State for Children and Families using intervention powers under section 497A of the Education Act 1996 with respect to the Council's exercise of its children's social services functions.

  - *Other external inspections included* Customer Service Excellence, Investors in People or Health and Safety.

- ***Corporate Risk Register:*** We document our corporate risks within this register which enables the Council to monitor how risks are being managed through regular review at the Risk Management Group and CMT. The Corporate Risk Register describes and rates each risk in terms of likelihood and consequence. It also lists controls mechanisms in place to manage those risks stated and actions to be undertaken to reduce the risks.
- ***Audit recommendation tracker:*** In 2013/14 we introduced a process of recommendation tracking to ensure that recommendations made by our Internal Auditors are implemented in a timely manner. We report on the progress in recommendation implementation to the Risk Management Group each meeting.

REVIEW OF EFFECTIVENESS

Slough Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within Slough Borough Council who have responsibility for the development and maintenance of the governance environment.

The following process has been applied in maintaining and reviewing the effectiveness of the governance framework, and includes:

- The work of the Risk Management Group and the Risk Management Strategy
- The annual assurance statements produced by all Heads of Service
- The work of the Audit and Risk Committee
- The work of the Standards Sub-Committee
- The work of Internal Audit
- The work of the Overview and Scrutiny Committee.
- Directors complete an annual assurance statement that is supported by a governance self-assessment completed by each Assistant Director; these are available on request.

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

ANNUAL ASSURANCE STATEMENTS

As detailed above, in order to provide confirmation that each Directorate within the Council has a sound system of internal control in operation, which in turn helps to manage and control business risk, each Director has been required to complete, certify and return a statement of their Directorate's current position.
Each Director and Assistant Director has been provided with a model format for completion and, in completing the statement, has facilitated the involvement of their Direct Reports to ensure that sufficient input has been obtained to provide a clear and coherent statement of all risk and control issues within any given area. These statements are held by Internal Audit.

IMPROVEMENTS

In the Annual Governance Statement for 2012/13 we identified a number of areas for improvement. The table below lists them, and comments how we did in addressing them in 2013/14.

Issues reported in 2012/13 AGS	*2013/14 action taken*
Safeguarding services and Safeguarding outcomes for children and young people.	Items remain on the corporate risk register; risk remains in Children's Social Care following Ofsted inspection in December 2013.
Continued Economic Instability and Turbulence at a national level.	Remains on the Risk Register for 2013-14 and beyond. Council has delivered majority of savings for identified for 2013-14 with a break even outturn position and has set a balanced budget for 2014-15. MTFS contains sensitivity analysis of the key risks Regular monitoring of collection rates and anticipated income
Managing a mixed economy workforce.	During the year, further work has been completed to transfer staff to Cambridge Education (in respect of education and children's centres) and to arvato in respect of ICT and Customer Services. The Council continues to monitor performance through metrics to ensure outcomes are met. Internal audit review of the monitoring arrangements in place for the transactional services contract saw a positive opinion.
Partnership and Governance arrangements	This in part relates to the above risk, though we need to continue to improve partnership governance arrangements in light of the Ofsted report and ensuring close working with partners into the future.
Risk Management	We have continued to develop our risk management arrangements during 2013/14, working towards implementing the recommendations made in this area by Internal Audit. Whilst we acknowledge that there is further work to be completed in this area, improvements have been made in the processes in place, particularly with regards to developing the role of the Risk Management Group.
Procurement	During 2013/14 we commissioned a further audit of our procurement arrangements from our Internal Auditors, which provided reasonable assurance (positive opinion) over the effectiveness of controls in place. The introduction of a procurement contracts register will help to further enhance these controls.
Safeguarding (Risk Assessments)	No further work was completed on this area during 2013-14 due to the inspection by Ofsted on Children's safeguarding. The outcomes from this will be taken forward, and this will remain a key part of our improvement activity and our risk register going forward.
Asset Register	During 2013/14 we requested our Internal Auditors undertake a further review of the controls in place around our asset register, and to identify improvements made from the previous year. Whilst this review concluded with a positive audit opinion it noted that a number of further improvements were still required.
Schools Environment	We continued to commission an extensive programme of Internal Audit reviews around the management of our schools, including re-auditing a number of schools where critical opinions were provided in the previous year. Further audits of schools will take place within

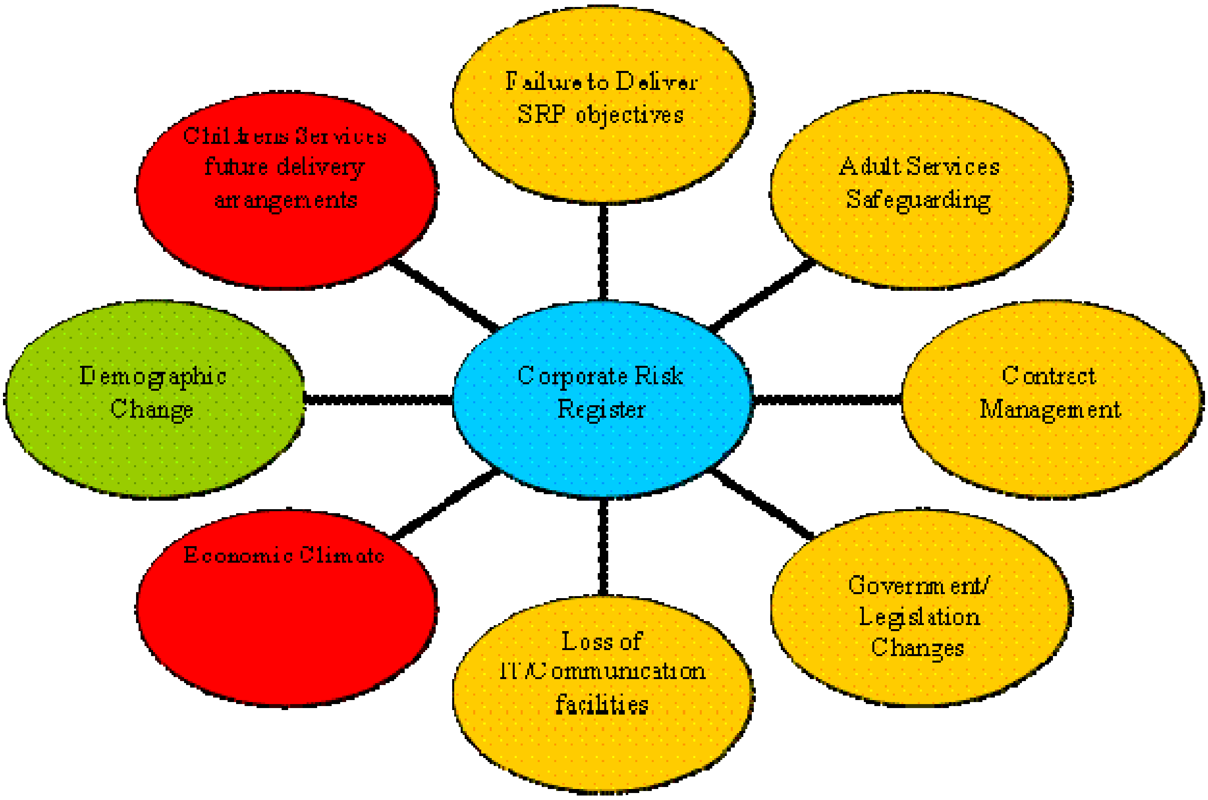
	2014/15 to continue to drive forward improvements in internal controls, and to engage further with schools over improving safeguarding arrangements. The Council needs to maximise its progress in respect of school improvement in an increasingly disparate education provision environment.

The following significant issues were identified during the year in additional to those above, together with the actions already taken or those that will be taken by the Council in 2014/15 in addressing these.

Issues	***2013/14 action taken***
Contract Management	This remains a key risk for the Council and continues to be managed via the Strategic Risk Register. Internal Audit have undertaken two audits on large value contracts and provided RED assurance opinions in both cases. We have developed action plans in response to these, together with commissioning further Internal Audit reviews as endeavour to improve our control framework during 2014/15.
Rent Accounts	Internal Audit undertook an audit on rent accounts, and provided a red assurance opinion, the main issues being that weekly charges were found to be understated in a number of instances and the lack of review of reports identifying rent arrears. We have developed an action plan in response to the audit and are actively working to ensure implementation of the recommendations made.
E-Learning: Training and Development	Internal Audit undertook an audit on e-learning, and provided a red assurance opinion, the main issues being the lack of development of the e-learning system and attendance at mandatory training courses during 2013/14. We have developed an action plan in response to the audit and are actively working to ensure implementation of the recommendations made.

Risk Register

The following risks have been highlighted on the Corporate Risk register, together with the associated risk rating:



We, the Leader and Chief Executive, undertake over the coming year to continue to monitor our governance arrangements to ensure they remain fit for purpose. We are satisfied that they were effective in 2013/14, and will reflect and report on their operation and effectiveness as part of our next annual review.

Signed ……………………………..	*Signed ……………………………..*
Date:	*Date:*
Leader	*Chief Executive*

CONCLUSION

The Council's Audit & Risk Committee is responsible for providing independent assurance of the adequacy of the risk management framework and the associated control environment and ensuring that appropriate action is taken with respect the issues raised on the control environment (for which the Annual Governance Statement forms a key element).

The Committee believes that it has discharged that responsibility, and that this report is evidence of that.

4. STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Slough Borough Council this officer is the Assistant Director of Finance and audit, Joseph Holmes.
- To manage its afford to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the statement of accounts.

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code).

I certify that in preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Section 151 Officer

I certify that the Statement of Accounts set out on the following pages presents a true and fair view of the financial position of the Council as at 31st March 2014 and its income and expenditure for the year ended 31st March 2014.

Joseph Holmes
Assistant Director of Finance and Audit (Section 151 Officer)
Date: 23 September 2014

5. STATEMENT BY LEAD MEMBER

In accordance with Accounts and Audit Regulation 2011 the Chair of the meeting adopting the Statement of Accounts must sign and date the statement in order to confirm that the adoption process has been completed. I confirm that the Statement of Accounts for the period ended 31 March 2014 was approved at the meeting of Audit and Risk Committee held on 23rd September 2014.

Councillor
Chairman of the Audit and Risk Committee
Date: 23 September 2014

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SLOUGH BOROUGH COUNCIL

Movement in Reserves Statement
For the current and comparative year

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

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as At 1 April 2012	**8,119**	**35,999**	**8,897**	**1,233**	**27,071**	**4,643**	**85,962**	**196,613**	**282,575**
Movement in reserves during the year									
Surplus or (deficit) on the provision of services	(10,001)		3,269				**(6,732)**		**(6,732)**
Other Comprehensive Income and Expenditure	0			0			**0**	3,331	**3,331**
Total Comprehensive Income and Expenditure	**(10,001)**	**0**	**3,269**	**0**	**0**	**0**	**(6,732)**	**3,331**	**(3,401)**
Adjustments between accounting basis & funding basis under regulations - Note 7	4,954		2,168	1,337	20,640	4,034	**33,133**	(33,133)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5,047)**	**0**	**5,437**	**1,337**	**20,640**	**4,034**	**26,401**	**(29,802)**	**(3,401)**
Transfers to Earmarked reserves	5,071	(5,071)	0				**0**		**0**
Increase/Decrease in Year	**24**	**(5,071)**	**5,437**	**1,337**	**20,640**	**4,034**	**26,401**	**(29,802)**	**(3,401)**
Balance as at 31 March 2013	**8,143**	**30,928**	**14,334**	**2,570**	**47,711**	**8,677**	**112,363**	**166,811**	**279,174**
Movement in reserves during the year									
Surplus or (deficit) on provision of services	(23,383)		20,380				**(3,003)**		**(3,003)**
Other Comprehensive Income and Expenditure	0			0			**0**	25,831	**25,831**
Total Comprehensive Income and Expenditure	**(23,383)**	**0**	**20,380**	**0**	**0**	**0**	**(3,003)**	**25,831**	**22,828**
Adjustments between accounting basis & funding basis under regulations - Note 7	16,912		(16,601)	12,274	1,343	2,507	**16,435**	(16,435)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(6,471)**	**0**	**3,779**	**12,274**	**1,343**	**2,507**	**13,432**	**9,396**	**22,828**
Transfers to Earmarked reserves	6,470	(6,470)	0				**0**		**0**
Increase/Decrease in Year	**(1)**	**(6,470)**	**3,779**	**12,274**	**1,343**	**2,507**	**13,432**	**9,396**	**22,828**
Balance Sheet As At 31 March 2014	**8,142**	**24,458**	**18,113**	**14,844**	**49,054**	**11,184**	**125,795**	**176,207**	**302,002**

SLOUGH BOROUGH COUNCIL

Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

	Notes	2013/14			2012/13		
		£000	£000	£000	£000	£000	£000
		Expenditure	**Income**	**Net**	**Expenditure**	**Income**	**Net**
Central services to the public		2,825	(712)	2,113	18,034	(14,340)	3,694
Cultural and related services		5,488	(1,410)	4,078	13,782	(5,362)	8,420
Environment and regulatory services		19,821	(2,617)	17,204	18,487	(4,213)	14,274
Planning Services		5,751	(2,014)	3,737	6,216	(2,934)	3,282
Education and Children's services		155,737	(99,809)	55,928	145,030	(100,930)	44,100
Highways and transport services		14,229	(4,043)	10,186	18,674	(5,363)	13,311
Local authority housing - other		3,780	(35,802)	(32,022)	18,269	(34,439)	(16,170)
Other housing services		80,369	(77,003)	3,366	86,961	(75,019)	11,942
Adult Social Care		47,531	(12,950)	34,581	47,179	(16,334)	30,845
Public Health		5,287	(5,305)	(18)	0	0	0
Corporate and democratic core		5,207	(419)	4,788	6,172	(1,664)	4,508
Non distributed costs		2,829	(6,424)	(3,595)	149	(579)	(430)
Deficit on Continuing Operations		**348,854**	**(248,508)**	**100,346**	**378,953**	**(261,177)**	**117,776**
Other Operating Expenditure	**9**	23,480		23,480	24,527		24,527
Financing and Investment Income and Expenditure	**10**	17,836	(3,651)	14,185	21,214	(4,841)	16,373
Taxation and Non-Specific Grant Income	**11**	17,714	(152,722)	(135,008)	0	(151,944)	(151,944)
Deficit on Provision of Services				**3,003**			**6,732**
Surplus on revaluation of Property, Plant and Equipment	**12**			(29,475)			(5,668)
Impairment losses on non-current assets charged to the Revaluation Reserve	**12**			0			127
Actuarial losses on pension assets / liabilities	**40**			3,644			2,210
Other Comprehensive Income and Expenditure				**(25,831)**			**(3,331)**
Total Comprehensive Income and Expenditure				**(22,828)**			**3,401**

SLOUGH BOROUGH COUNCIL

Balance Sheet As At 31 March 2014

	Notes	31st March 2014 £000	31st March 2013 £000
Property, Plant & Equipment	12/12a	618,918	593,105
Heritage Assets	13	0	0
Investment Property	12/12a/13	16,429	15,563
Intangible Assets	12/12a/14	88	84
Long Term Investments	15	0	0
Long Term Debtors	17	261	232
Long Term Assets		**635,696**	**608,984**
Short Term Investments	15	57,155	64,210
Inventories	16	5	9
Short Term Debtors	17	23,818	22,136
Cash and Cash Equivalents	18	32,377	17,420
Assets held for sale	19	385	6,280
Current Assets		**113,740**	**110,055**
Short Term Borrowing	15	(496)	(11,016)
Other Short Term Liabilities	15	(3,030)	(2,893)
Short Term Creditors	20	(43,873)	(30,163)
Provisions	21	(2,084)	(1,237)
Capital Grants received in advance	34	(362)	(392)
Revenue Grants received in advance	34	0	(299)
Current Liabilities		**(49,845)**	**(46,000)**
Long Term Provisions	21	(223)	(223)
Long Term Borrowing	15	(182,372)	(182,373)
Other Long Term Liabilities	15	(45,335)	(48,361)
Pension Long Term Liability	40	(169,659)	(162,908)
Revenue Grants received in advance	34	0	0
Long Term Liabilities		**(397,589)**	**(393,865)**
Net Assets		**302,002**	**279,174**
Usable reserves	22	125,795	112,363
Unusable Reserves	23	176,207	166,811
Total Reserves		**302,002**	**279,174**
		0	

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2014 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2014.

Joseph Holmes
Assistant Director Finance and Audit (Section 151 Officer)
September 2014

SLOUGH BOROUGH COUNCIL

Group Cash Flow Statement at 31 March 2014

	Notes	2013/14 £000	2012/13 £000
Net surplus or (deficit) on the provision of services		(3,003)	(6,732)
Adjustment to surplus or deficit on the provision of services for noncash movements		49,274	33,188
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		58,318	(32,981)
Net cash flows from operating activities	**24**	**104,589**	**(6,525)**
Net Cash flows from Investing Activities	**25**	**(76,735)**	**(1,723)**
Net Cash flows from Financing Activities	**26**	**(12,897)**	**(1,858)**
Net increase or decrease in cash and cash equivalents		**14,957**	**(10,106)**
Cash and cash equivalents at the beginning of the reporting period		**17,420**	**27,526**
Cash and cash equivalents at the end of the reporting period		**32,377**	**17,420**
Check cash and cash equivalents at the end of the reporting period		**32,377**	**17,420**
Difference		**0**	**0**

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NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1 - Statement of Accounting Policies for 2013/14

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require the Statement of Accounts 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 2013/14 and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

- Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where periodic income and expenditure invoices are raised or received during the year and relates to a complete financial year no accrual will be made provided the financial affect on the accounts does not change the financial position of the council.

ii) 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 no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iii) 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 or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

iv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

v) Charges to Revenue for Non-Current Assets

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

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

The Authority 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 authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi) Employee Benefits

Benefits Payable during Employment

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

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) and
- The Berkshire Local Government Pensions Scheme, administered by Royal Borough of Windsor and Maidenhead.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Berkshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate on the iBoxxAA rate over a 15 year corporate bond index at this date which has been chosen to meet the requirements of IAS19.
- The assets of the Berkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - contributions paid to the Berkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

vii) Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; or
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure
Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ix) Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x) Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution 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 Comprehensive Income and Expenditure 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 Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi) Intangible Assets

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. 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 lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 General Fund Balance.

xii) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii) 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 Comprehensive Income and Expenditure Statement. 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 General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

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

xv) Leases

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

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council 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 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

Operating Leases

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

The Authority as Lessor

Finance leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

xvi) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCop). 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, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SerCop and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvii) Property, Plant and Equipment

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

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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are 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 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 Comprehensive Income and Expenditure Statement 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 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 Lines(s) in the Comprehensive Income and Expenditure Statement.

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 in the Capital Adjustment Account.

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, 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). Deprecation is calculated on the following bases:

- dwellings and other buildings – housing dwellings 50 years, operational buildings 1-35 years as determined by the valuer, car parks 60 years
- vehicles, plant and equipment – straight-line allocation over five years
- infrastructure – straight-line allocation over 40 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 Capital Adjustment Account.

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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses 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.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Component accounting

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases or revaluations after 1 April 2010.

The Council's policy has defined a component as such part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item, if the value of the component is 10% or more of the total gross carrying value of the building. The Council has also determined that any building with a gross carry amount of less than £1m, useful economic life of less than 15 years or both will not be considered for component accounting.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method such parts will be grouped in determining the depreciation charge.

xviii) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Landfill Allowance Scheme

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

xx) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxi) 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 Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii) VAT

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

xxiii) **Local Asset Backed Vehicles**

The Council is a member of two limited liability partnerships (LLPs), in which it holds 50% interest, the remaining interest being held by a private sector partner. Both LLPs fall under the definition of "joint ventures" as defined by IFRS 11 "Accounting for joint arrangements"

The Council has accounted for its interests in the joint ventures using equity accounting as defined IAS 28 'Investments in Associates and Joint ventures' and complied with IFRS 12 'Disclosure of Interests in Other Entities' which sets out the disclosure requirements for joint arrangements.

Slough Regeneration Partnership LLP

The Council is one of two members of a limited liability partnerships (LLPs), trading as Slough Regeneration Partnership LLP (SRP LLP). It has a 50% interest in the LLP, the remaining interest being held by the other member, a private sector construction services business.
Both members have £100 equity stake in the LLP.

SRP LLP was set up to undertake development of commercial building projects in the area of Slough Borough Council on land owned by the authority to assist in achieving social and economic objectives.

When a development is selected to take place, the private sector member funds the up front design work and submits a planning application, contributing to the private sector's investment in the LLP. Once the development has secured planning permission and is ready to commence the Council will transfer the land or property to the LLP. The land is transferred based on its residual value with the benefit of planning permission (i.e. the gross development value minus the costs and profit). The development will then take place with the private sector partner matching the residual value of the land invested by the Council less the sums spent by the private sector partner undertaking the design and securing the planning permission. The additional funding required to build out the development will then be sourced from third party lenders and/or from the LLP members.

When completed the development is sold, the proceeds will first be used to repay any debt, and any surplus generated will be available to be distributed between the members.

As at 31 March 2014 no development had been started by the LLP and no property had been transferred by the Council.

Slough Regeneration Partnership Community Projects LLP

SRP LLP has a 100% owned Limited company; with whom it shares equally 100% share in a LLP development subsidiary trading as Slough Regeneration Partnership Community Projects LLP (SRP CP LLP). Thus, both the private sector member and the Council effectively hold 50% interest each in SRP CP LLP.

SRP CP LLP was set up to provide construction services to Slough Borough Council, for the development of community projects such as leisure centres and libraries. The first community project began on-site construction in January 2014, being the construction of the new library in Slough town centre, known as The Curve.

The Council and the private sector partner are both represented equally on the management board of the LLPs, hence no member has overall operational control.

Accounting for the LLPs

IAS 31 "*Interests in Joint Ventures*" sets out the accounting for an entity's interests in various forms of joint ventures, including jointly controlled entities, which it defines as: *a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity.*

Under IAS 31, both LLPs fall under the definition of “jointly controlled entities”.
The standard allows two treatments of accounting for an investment in jointly controlled entities:

- proportionate consolidation [IAS 31.30]
- equity method of accounting [IAS 31.38]

IFRS 11 “Accounting for joint arrangements” was issued in May 2011 and applies to annual reporting periods beginning on or after 1 January 2014 (EU effective date). Under IFRS 11, both LLPs fall under the definition of “joint ventures”, and as such require members to use “equity accounting” to account for their interests in the joint venture.

Thus, SBC has adopted equity accounting, in line with both IAS 31 (effective for the 13/14 year end) and will be in line with IFRS 11 (effective from 14/15)

IAS 31 states that “Procedures for applying the equity method are the same as those described in IAS 28 *Investments in Associates*.”

Equity accounting
As defined in IAS 28 'Investments in Associates and Joint ventures', the Council is required to show the following in its 2013-14 accounts:

	IAS 28 requirement	**SRP LLP CONSOLIDATED**
1	its investment in the joint venture entity, initially recognised at cost as a non-current asset	£100
2	its share of profits and losses of the joint venture in each accounting period	£(164,728) loss
3	its share of any dividends received from the joint venture in each accounting period	
4	changes in its share of the joint venture's net assets arising from items recognised in the joint venture's other comprehensive income	

Disclosures
IFRS 12 'Disclosure of Interests in Other Entities' sets out the disclosure requirements for joint arrangements. The Council is required to show the following in its 2013-14 accounts:

	IFRS 12 requirement	**SRP LLP CONSOLIDATED**
1	the nature of the local authority's relationship with the joint arrangement	**Slough Regeneration Partnership LLP (Consolidated)** The Council is one of two members in a limited liability partnerships (LLPs), trading as Slough Regeneration Partnership LLP (SRP LLP). It has a 50% interest in the LLP, the remaining interest being held by the other member, a private sector construction services business. Both members have £100 equity stake in the LLP. SRP LLP has a 100% owned Limited company; with whom it shares equally 100% share in a LLP development subsidiary trading as Slough Regeneration Partnership Community Projects LLP (SRP CP LLP). Thus, both the private sector member and the Council effectively hold 50% interest each in SRP CP LLP The Council and the private sector

		partner are both represented equally on the management board of the LLPs, hence no member has overall operational control.
2	the proportion of ownership interest or participating shares held by the local authority	See 1 above
3	summarised financial information about the joint venture (e.g. dividends received, summarised profit or loss and balance sheet information)	See proposed disclosure which ties in with consolidation spreadsheet
4	the nature of any restrictions on the joint venture's ability to transfer funds to the local authority	The Partnership Agreements stipulates that when the completed the development is sold, the proceeds will first be used to repay any debt, and any surplus generated will be available to be distributed between the members.
5	the date of the year-end of the joint venture where this is not coterminous with the year-end of the local authority	SRP LLP's and SRP CP's financial years end on 31 December. Financial activity commenced in June 2013. These accounts have combined the results of the audited financial statements to the period to 31 December 2013 with the LLPs' internal trading results to 31 March 2014, to coincide with the Council's 12 month trading period.
6	commitments that the local authority has relating to joint ventures, separated from other commitments made by the local authority	None
7	Contingent liabilities relating to the local authority's interest in the joint venture.	None

<u>Note 1a Prior Period Adjustment</u>

Restatement of Prior Year Financial Statements

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

IAS Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance sheet. However the main changes are as follows:

Expected Return on Assets

This is in relation to the return on Pension Scheme assets such as those held by the Essex Local Government Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand

2012/13 Movement in Reserves

	2012/13 Statements £'000	**Adjustments Made £'000**
Deficit on provision of Services – General Fund	(8,407)	(1,594)
Adjustments between accounting basis and funding basis under regulations – Pensions Reserve	10,105	1,594

2012/13 Comprehensive Income and Expenditure Statement

	2012/13 Statements £'000	**Adjustments Made £'000**
Other Operating Expenditure	22,933	1,594
Actuarial Losses on Pension Assets/Liabilities	10,105	(1,594)

NOTE 2: ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvement in joint arrangements and disclosures of involvements in other entities. These include:

IFRS 10 Consolidated Financial Statements – This statement is in the 2014/15 Code of Practice. The standard introduces a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts. CIPFA/LASAAC set up a working party to analyse how this new standard applies to local authority maintained schools. Their conclusion is that maintained schools are capable of being treated as separate entities for the purposes of the financial reporting framework, and, based on the indicators of control within IFRS 10, the balance of control lies with local authorities.
In light of this conclusion, CIPFA/LASAAC, have introduced an expedient into the 2014/15 Code which amends the definition of 'single entity financial statements' to include the income, expenditure, assets, liabilities, reserves and cash flows of all local authority maintained schools. This means that, from next year, the Council will consolidate all maintained schools into the single entity financial statements of the council. The Council already recognises the income and expenditure of maintained schools in the CIES and cash flow statement. However, not all school assets are currently recognised. From 2014/15 it is expected that 10 voluntary aided schools and 2 foundation schools will be recognised as PPE on the Balance Sheet.
IFRS 11 Joint Arrangements – This standard addresses the accounting for a "joint arrangement", which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements
IFRS 12 Disclosures of Involvement with other entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structured entities".
IFRS 13 Fair Value Measurement (May 2011)
IAS 27 Separate Financial Statements (as amended in 2011)– This statement has been amended to conform to the changes in IFRS10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes in IFRS 10, IFRS 11and IFRS 12, there is also no impact as a result of changes in IAS 27.
IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) – As above this statement has been amended to conform to the changes in IFRS10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes in IFRS 10, IFRS 11and IFRS 12, there is also no impact as a result of changes in IAS 28.
IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The following are significant management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements:

(a) There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

(b) The Council is a trustee of Slough Community Leisure trust a not for profit organisation that operates the leisure centres owned by the Council. The agreement between the Council is set to run until 31st May 2017. It has been determined that the Council does not have control of the Trust and it is not an associate of the Council.

(c) Schools Non-Current Assets – CIPFA has set up a review group to develop guidance on how to account for schools in accordance with accounting standards on a consistent basis. The conclusions are likely to be included within the 2014/15 Code of Practice. In the meantime, the Council recognises Schools in line with the provisions of the 2013/14 Code of Practice, and schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria. There are currently 5 types of schools within the Council:

- Community schools - Community schools' staff are appointed by the Council and the Council sets the admission criteria. These schools are, therefore, recognised on the Council's Balance Sheet.
- Voluntary controlled (VC) schools - Voluntary controlled and voluntary aided schools' staff are also appointed by the Council and the Council sets the admission criteria. However, the legal ownership of the school land and buildings belongs to a charity, normally a religious body. The Council considers that it does not receive the economic benefit/service potential of the school and the schools are not recognised on the Council's Balance sheet.
- Foundation/Trust schools - Foundation Trust and Academy schools staff are appointed by the schools' governing body, who also set the admission criteria. Therefore, the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's balance sheet.
- Voluntary Aided (VA) schools
- Academy schools

(d) Recognition of 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 Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received. 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 Comprehensive Income and Expenditure Statement. The Council has made a judgement that a grant or contribution will not be classed as conditional where it not ring fenced and there is therefore a reasonable expectation that it will be spent, even if the grant terms include a repayment clause that require that the grant monies will be repaid if not used.

(e) Capital commitments disclosures - The Council has included those projects which it believes it is committed to based on its capital strategy programme, which is approved by the capital strategy board, although not all of these projects are subject to contractual agreements at year end.

NOTE 4: ASSUMPTIONS MADE ABOUT FUNDING AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 items in the Council's Balance Sheet at 31 March 2014 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	The total depreciation charged in 2013/14 is £14.9m and the net book value of property, plant and equipment at 31 March 2014 is £597.5m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
	Assets are revalued on a 5 year rolling programme and year end reviews of impairment and material changes are obtained from the valuer. The Council does not adjust for price indices between formal valuations unless there is indication of material changes. Evaluating whether an asset is impaired or if impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future use. Assets/properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least annually.	The total revaluation net decreases and impairments charged to the CIES in 2013/14 is £10.8m and £14.1m revaluation increases have been credited to the revaluation reserve in 2013/14.
Pensions Liability	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 Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £32.3m.

NOTE 5: MATERIAL ITEMS OF INCOME AND EXPENSE

a) The Council has derecognised non current assets relating to 5 schools that became academies during 2013/14. This has resulted in a loss on de-recognition of property, plant and equipment of £14.7m which is included in other operating expenditure in the Comprehensive Income and Expenditure statement (Note 9).

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The Statement of Accounts was approved by the Audit Committee on September 2014.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

2013/14	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Business Rates Supplement Revenue Account	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation of non current assets	8,277	6,860					(15,137)
Amortisation of Intangible Assets	36						(36)
Revaluation losses/(gains) and impairments/(reversals) on Property Plant and Equipment	1,380	(18,106)					16,726
Movements in the Fair Value of Investment Properties	(993)	(137)					1,130
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(16,041)					13,612	2,429
Unapplied Capital Grants used in financing						(12,269)	12,269
Revenue expenditure funded from capital under statute	8,744						(8,744)
Carrying amount of non current assets sold	22,082	13,889					(35,971)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory Provision for the Financing of Capital Investment	(3,806)						3,806
Capital expenditure charged against the General Fund and HRA balances	(758)						758
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure			(221)				221
Proceeds From Sale of Non Current Assets	(5,568)	(7,896)	13,464				
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	142	147	(289)				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	680		(680)				
Adjustment involving the Major Repairs Reserve							
Reversal of notional Major Repairs Allowance credited to the HRA		(6,860)		6,860			
Contribution from HRA HRA to Major Repairs Reserve		(4,662)		4,662			
Use of the Major Repairs Reserve to finance new capital expenditure				(9,015)			9,015
Adjustments involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(328)	(128)					456
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	10,639	0					(10,639)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,824)	292					7,532
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(986)						986
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	274						(274)
Adjustment involving the Accumulating Compensated Absences Adjustment Account							
Adjustments in relation to Short-term compensated absences	962						(962)
Total Adjustments	**16,912**	**(16,601)**	**12,274**	**2,507**	**0**	**1,343**	**(16,435)**

2012/13	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Business Rates Supplement Revenue Account £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	12,023	4,366					(16,389)
Amortisation of Intangible Assets	32						(32)
Revaluation losses on Property Plant and Equipment	14,448						(14,448)
Movements in the Fair Value of Investment Properties	(2,074)						2,074
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(34,772)					29,992	4,780
Unapplied Capital Grants used in financing						(9,352)	9,352
Revenue expenditure funded from capital under statute	3,099						(3,099)
Carrying amount of non current assets sold	16,329	11,193					(27,522)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory Provision for the Financing of Capital Investment	(2,679)						2,679
Capital expenditure charged against the General Fund and HRA balances	(1,721)						1,721
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure			(3,006)				3,006
Proceeds From Sale of Non Current Assets	(1,062)	(4,017)	5,079				
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	142		(142)				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	594		(594)				
Adjustment involving the Major Repairs Reserve							
Reversal of notional Major Repairs Allowance credited to the HRA		(5,559)		5,559			
Contribution from HRA HRA to Major Repairs Reserve		(3,953)		3,953			
Use of the Major Repairs Reserve to finance new capital expenditure				(5,478)			5,478
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(360)	(128)					488
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 48)	11,699	266					(11,965)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,388)						7,388
Adjustments involving the Collection Fund Adjustment Acco							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(614)						614
Adjustment involving the Accumulating Compensated Absences Adjustment Account							
Adjustments in relation to Short-term compensated absences	(2,742)						2,742
Total Adjustments	**4,954**	**2,168**	**1,337**	**4,034**	**0**	**20,640**	**(33,133)**

Note 8 **Transfers to/from Earmarked Reserves**

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	Balance as At 1	2012/13	2012/13	Balance as at 31	2013/14	2013/14	Balance as at 31
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Insurance Fund	517	0	0	517	0	0	517
Future Debt and Capital Requirements	5,617	0	(3,758)	1,859	60	(736)	1,183
Statutory Property Fund and Landlord Function	605	0	0	605	0	(150)	455
Capital Fund	780	687	(660)	807	286	(130)	963
Trading Accounts	0	24	0	24	0	0	24
Specific Grants (Revenue)	3,561	945	(1,039)	3,467	155	(428)	3,194
Other Specific Earmarked Reserves	14,484	6,579	(6,969)	14,094	2,588	(4,947)	11,735
Housing Renewals Reserve	84	1	0	85	0	0	85
Schools	10,351	10,330	(11,211)	9,470	6,244	(9,412)	6,302
Total Earmarked Reserves	**35,999**	**18,566**	**(23,637)**	**30,928**	**9,333**	**(15,803)**	**24,458**

Note 9 Other Operating Expenditure

	2013/14	2012/13
	£000	£000
Parish council precepts	268	268
Payments to the Government Housing Capital Receipts Pool	680	594
Losses on the disposal of non current assets	22,532	22,071
Other	0	1,594
	23,480	**24,527**

Surplus/Deficit on Non-Current Assets (excl Investment Properties)

	2013/14	2012/13
	£000	£000
Net Proceeds from Sale General	(5,568)	(1,062)
Net proceeds from sale HRA	(7,896)	(4,017)
Disposal costs	142	142
Disposal costs HRA	147	0
Carrying amount of non-current assets sold (excl Investment Properties)	35,707	27,008
		-
	22,532	**22,071**

Precepts

	2013/14	2012/13
	£000	£000
	0	0
Britwell Parish Council	120	120
Wexham Court Parish Council	55	55
Colnbrook with Poyle Parish Council	93	93
Total	**268**	**268**

Note 10 Financing and Investment Income and Expenditure

	2013/14		2012/13	
	Expenditure	Income	Expenditure	Income
	£000	£000	£000	£000
Interest payable and similar charges	9,984		9,377	
Net interest expense	6,783		5,418	
Interest receivable and similar income		(1,026)		(705)
Income and expenditure in relation to investment properties and changes in their fair value	1,069	(2,625)	6,419	(4,136)
Total	**17,836**	**(3,651)**	**21,214**	**(4,841)**

Interest Payable and Similar Charges

	2013/14	2012/13
	£000	£000
Lease/hire purchase interest	361	0
Bank interest		0
Loan Interest	6,311	5,260
Service concession Interest	3,312	4,117
Other interest (please specify)		
	9,984	**9,377**

Interest and Investment Income

	2013/14	2012/13
	£000	£000
Other Investment income	(1,026)	(705)
	(1,026)	**(705)**

Pensions interest cost and expected return on pensions assets

	2013/14	2012/13
	£000	£000
Net Interest expense	6,783	5,418
	6,783	**5,418**

Income, Expenditure and changes in Fair Value of Investment

	2013/14	2012/13
Income/Expenditure from Investment Properties:	£000	£000
Income including rental income	(1,495)	(2,062)
Expenditure	805	5,905
Net income from investment properties	**(690)**	**3,843**
Deficit on sale of Investment Properties:		
Carrying amount of investment properties sold	264	514
Deficit on sale of Investment Properties:	**264**	**514**
Changes in Fair Value of Investment Properties	**(1,130)**	**(2,074)**
	(1,556)	**2,283**

Note 11

Taxation and Non-Specific Grant Income and Expenditure		
	2013/14	**2012/13**
	£000	£000
Income		
Council Tax Income	**43,543**	**49,215**
Non Domestic Rates Redistribution	**0**	**52,306**
Non Domestic Rates Income	**43,639**	**0**
Non-ringfenced government grants	**49,499**	**15,651**
Income from a Business Rates Supplement		
Capital Grants	**16,041**	**34,772**
Total Taxation and Non-Specific Grant Income	**152,722**	**151,944**
Expenditure		
Non Domestic Rates Expenditure	**17,714**	

Note 11a

Revenue Grants	2013/14	2012/13
	£000	£000
Income:		
Distribution from Non-Domestic Rate Pool	0	52,306
NDR proportionate share	43,639	0
Total NDR Income	**43,639**	**52,306**
Expenditure:		
Tariff	17,714	0
Total NDR Expenditure	**17,714**	**0**

Note 11b

Capital Grants	2013/14 £000	2012/13 £000
Government & Other Grants-Conditions met and applied in year	2,429	4,780
Total	**2,429**	**4,780**

Note 11c

Capital Grants-Unapplied	2013/14 £000	2012/13 £000
Government & Other Grants-Conditions met and **not** applied.	13,612	29,992
Total	**16,041**	**34,772**

Note 11d

Council Tax	2013/14 £000	2012/13 £000
Current year	43,543	49,215
Total	**43,543**	**49,215**

Central Government Grants

Note 11 e

	2013/14 £000	2012/13 £000
Revenue Support Grant	39,762	1,014
PFI	3,678	3,678
Early Intervention Grant	0	7,829
New Homes Bonus	1,983	1,357
Local Services Support Grant	122	565
Council Tax Freeze Grant	0	1,208
Education Services Grant	1,899	0
NHS	1,845	0
DCLG	210	0
Total	**49,499**	**15,651**

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Note 12 **Property, Plant and Equipment**

Current Year

	Property, Plant & Equipment (PP&E)											
	Council Dwellings	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	**Total PP&E**	Service Concession Assets included within PPE and Intangible assets	**Investment Properties**	**Intangible Assets**	**TOTAL**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation												
Balance as At 1 April 2013	312,404	189,547	87,070	51,047	5,993	5,691	20,253	**672,005**	**45,271**	**15,563**	**518**	**688,086**
Adjusted opening balance	**312,404**	**189,547**	**87,070**	**51,047**	**5,993**	**5,691**	**20,253**	**672,005**	**45,271**	**15,563**	**518**	**688,086**
Additions (Note 41)	8,166	6,041	4,184	732	404	4,953	81	**24,561**	75	0	**40**	**24,601**
Revaluation increases to Revaluation Reserve	24,852	2,221		741	0	0	1,661	**29,475**	2,011	0	**0**	**29,475**
Revaluation increases/(decreases) to Deficit on the Provision of Services	18,106	(1,638)	0	0	0	0	258	**16,726**	698	1,130	**0**	**17,856**
Derecognition - Disposals	(12,782)	(16,531)	0	(13,898)	0	0	(555)	**(43,766)**		(264)	**0**	**(44,030)**
Derecognition - Other	0	0	0	0	0	0	0	**0**				**0**
Reclassifications & Transfers	(193)	(3,677)	0	7,463	0	(3,786)	193	**0**	0	0		**0**
Reclassified from Held for Sale		0	0	0	0	0	643	**643**		0		**643**
Balance as at 31 March 2014	**350,553**	**175,963**	**91,254**	**46,085**	**6,397**	**6,858**	**22,534**	**699,644**	**48,055**	**16,429**	**558**	**716,631**
Depreciation and Impairment												
Balance as At 1 April 2013	15,786	15,565	12,799	33,964	16	1	769	**78,900**	**4,085**	**0**	**434**	**79,334**
Adjusted opening balance	15,786	15,565	12,799	33,964	16	1	769	**78,900**	4,085	0	434	**79,334**
Depreciation Charge	6,368	3,195	2,040	3,493	0	0	41	**15,137**	1,213	0	**36**	**15,173**
Derecognition - Disposals	(60)	(585)	0	(12,654)	0	0	(12)	**(13,311)**		0	**0**	**(13,311)**
Derecognition - Other	0		0	0	0	0	0	**0**		0	**0**	**0**
Balance as at 31 March 2014	**22,094**	**18,175**	**14,839**	**24,803**	**16**	**1**	**798**	**80,726**	**5,298**	**0**	**470**	**81,196**
Net Book Value												
Balance as at 31 March 2014	**328,459**	**157,788**	**76,415**	**21,282**	**6,381**	**6,857**	**21,736**	**618,918**	**42,757**	**16,429**	**88**	**635,435**
Balance as at 31 March 2013	**296,618**	**173,982**	**74,271**	**17,083**	**5,977**	**5,690**	**19,484**	**593,105**	**41,186**	**15,563**	**84**	**608,752**

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Note 12 **Property, Plant and Equipment**

Capital Commitments

At 31 March 2014, the Council has committed to projects for the construction or enhancement of Property, Plant and Equipment in 2014-15 and future years budgeted to a cost of £33.062m (31 March 2013 £34.693m). The major commitments at 31 March 2014 are:

	£'000
- The Curve	10,999
- Schools Primary Extension	5,584
- Schools Modernisation	2,000
- Cemetery Extension	742
- Accommodation Strategy	3,001
- Stoke Poges Footbridge	1,000
- Crematorium Project	1,311
- Affordable Housing	6,200
- Britwell Regeneration	2,225
Total	**33,062**

Effects of Changes in Estimates

There were no material changes in accounting estimates for property, plant & equipment during the year.

Impairments

The Council has no recognised impairment losses in 2013/14 (2012/13 £0.693m).

Revaluations

The freehold and leasehold properties comprising the Council's operational and non-operational property portfolio at the 1st April 2013 are valued on a rolling programme basis. The valuations for 2013/14 were carried out by external valuers Wilks Head and Eve. Additionally the value of properties held at open market value were reviewed at 31st March 2014 to reflect the current economic conditions. The Valuer has adopted valuation assumptions in order to arrive at valuation results. These assumptions included the relevant valuation definitions as required by the Code. The RICS defined valuation methods are:

- Market Value
- Existing Use Value
- Fair Value

Where specialised property is valued, the use of depreciated replacement cost to arrive at Existing Use Value has been employed. Depreciated Replacement Cost is RICS defined valuation methodology and used as a method of arriving at Existing Use Value.

The following table shows the progress of the Council's rolling programme for the revaluation of Council Dwellings, land and buildings at 31 March 2014.

Description	Council Dwellings	Land & Buildings	Plant / Vehicles / Equipment	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
Valued at Historical Cost	0	1,241	21,282	76,415	6,381	0	6,857	112,176
Valued at Fair Value:								
2013/2014	327,997	89,176	0	0	0	2,943	0	420,116
2012/2013	0	27,309	0	0	0	0	0	27,309
2011/2012	0	25,006	0	0	0	13,162	0	38,168
2010/2011	462	13,620	0	0	0	5,468	0	19,550
2009/2010	0	1,436	0	0	0	163	0	1,599
Category Total	328,459	157,788	21,282	76,415	6,381	21,736	6,857	618,918

Note 12 a **Comparative Year**

	Property, Plant & Equipment (PP&E)											
	Council Dwellings	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	**Total PP&E**	Service Concession Assets included within PPE and intangible assets	**Investment Properties**	**Intangible Assets**	**TOTAL**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation												
Balance as At 1 April 2012	314,003	219,032	60,309	40,397	5,937	28,633	19,837	**688,148**	42,171	15,354	499	**704,001**
Adjusted opening balance	**314,003**	**219,032**	**60,309**	**40,397**	**5,937**	**28,633**	**19,837**	**688,148**	**42,171**	**15,354**	**499**	**704,001**
Additions (Note 40)	8,116	7,757	5,217	358	34	2,754	0	**24,236**	758	0	**19**	**24,255**
Donations	0	0	0	0	0	0	0	**0**	**0**			**0**
Revaluation increases to Revaluation Reserve	0	831	0	0	0	0	0	**831**	4,931	0	**0**	**831**
Revaluation decreases to Deficit on the Provision of Services	0	(15,655)	0	0	0	0	0	**(15,655)**	(2,589)	2,074	**0**	**(13,581)**
Derecognition - Disposals	(4,237)	(16,084)	0	(1,137)	0	0	0	**(21,458)**		(514)	**0**	**(21,972)**
Derecognition - Other	(5,478)	0	0	0	0	0	0	**(5,478)**	0	0	**0**	**(5,478)**
Reclassifications & Transfers	0	(5,949)	21,544	11,429	22	(25,696)	0	**1,350**	0	(1,351)		**(1)**
Reclassified to Held for Sale		(385)						**(385)**	0	0	**0**	**(385)**
Reclassified from Held for Sale							**416**	**416**	0	0		**416**
At 31 March 2013	**312,404**	**189,547**	**87,070**	**51,047**	**5,993**	**5,691**	**20,253**	**672,005**	**45,271**	**15,563**	**518**	**688,086**
Depreciation and Impairment												
Balance as At 1 April 2012	10,668	18,700	10,893	29,863	16	0	76	**70,216**	2,872		402	**70,618**
Adjusted opening balance	10,668	18,700	10,893	29,863	16	0	76	**70,216**	2,872	0	402	**70,618**
Depreciation Charge	5,312	4,465	1,906	4,136	0	0	0	**15,819**	1,213		32	**15,851**
Depreciation written out on Revaluation Reserve	0	(4,837)	0	0	0	0	0	**(4,837)**	0	0	**0**	**(4,837)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	(1,207)	0	0	0	0	0	**(1,207)**	0	0	**0**	**(1,207)**
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	127	**127**	0	0	**0**	**127**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	566	**566**			**0**	**566**
Derecognition - Disposals	(194)	(1,555)	0	(35)	0	0	0	**(1,784)**			**0**	**(1,784)**
At 31 March 2013	**15,786**	**15,565**	**12,799**	**33,964**	**16**	**1**	**769**	**78,900**	**4,085**	**0**	**434**	**79,334**
Net Book Value												
At 31 March 2013	**296,618**	**173,982**	**74,271**	**17,083**	**5,977**	**5,690**	**19,484**	**593,105**	**41,186**	**15,563**	**84**	**608,752**
Balance as at 31 March 2012	**303,335**	**200,332**	**49,416**	**10,534**	**5,921**	**28,633**	**19,761**	**617,932**	**39,299**	**15,354**	**97**	**633,383**

Note 13 Income, Expenditure and changes in Fair Value of Investment Properties

Income/Expenditure from Investment Properties:	2013/14	2012/13
	£000	£000
Rental income from investment property	(1,495)	(2,062)
Direct operating expenses arising from investment property	805	5,905
Net (Gain)/Loss	**(690)**	**3,843**

	2013/14	2012/13
	£000	£000
Balance at start of the year	15,563	15,354
Disposals	(264)	(514)
Net gains from fair value adjustments	1,130	2,074
Transfers:		
- from/ (to) Property, Plant and Equipment	336	(1,351)
Other changes	0	0
Balance at end of the year	16,765	15,563

Note 14 Intangible Assets

The Council 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 both purchased licenses and internally generally software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £36k (£32k in 2012/13) charged to revenue in the current year was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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 Council are

Useful Lives	Other Assets
5 years	Civica and Oracle Software Licenses

In accordance with the CIPFA Code leased intangible assets are disclosed in this section after their initial recognition.

The Movement in Intangible Assets for the Year is as Follows

	2013/14			2012/13		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
· Gross carrying amounts	518	0	518	499		499
· Accumulated amortisation	(434)	0	(434)	(402)		(402)
Net carrying amount at start of year	**84**	**0**	**84**	**97**	**0**	**97**
Additions:						
· Purchases	40	0	40	19	0	19
	124	**0**	**124**	**116**	**0**	**116**
Amortisation for the period	(36)		(36)	(32)		(32)
Net carrying amount at end of year	**88**	**0**	**88**	**84**	**0**	**84**
Comprising:						
· Gross carrying amounts	558	0	558	518	0	518
· Accumulated amortisation	(470)	0	(470)	(434)	0	(434)
	88	**0**	**88**	**84**	**0**	**84**

Note 15 Financial Instruments

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

	Long-term		Current	
	31/03/14	31/03/2013	31/03/14	31/03/2013
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	57,155	64,210
Total investments	**0**	**0**	**57,155**	**64,210**
Loans and receivables	261	232		
Financial assets carried at contract amounts			23,818	22,136
Total Debtors	**261**	**232**	**23,818**	**22,136**
Borrowings				
Financial liabilities at amortised cost	182,372	182,373	496	11,016
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	**182,372**	**182,373**	**496**	**11,016**
Other Long Term Liabilities				
PFI and finance lease liabilities	45,319	48,361	3,030	2,893
Total other long term liabilities	**227,691**	**230,734**	**3,526**	**13,909**
Creditors				
Financial liabilities at amortised cost	0			
Financial liabilities carried at contract amount	0	0	43,873	30,163
Total creditors	**0**	**0**	**43,873**	**30,163**

Reclassifications

Income, Expense, Gains and Losses

	2013/14					2012/13				
	Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	9,984	-	0	-	**9,984**	9,389	-	0	-	**9,389**
Impairment losses	-	0	-	-	**0**	-	(12)	-	-	**(12)**
Total expense in Surplus or Deficit on the Provision of Services	**9,984**	**0**	**0**	**0**	**9,984**	**9,389**	**(12)**	**0**	**0**	**9,377**
Interest income	-	(876)	-	-	**(876)**	-	(705)	-	-	**(705)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(876)**	**0**	**0**	**(876)**	**0**	**(705)**	**0**	**0**	**(705)**
Net gain/(loss) for the year	**9,984**	**(876)**	**0**	**0**	**9,108**	**9,389**	**(717)**	**0**	**0**	**8,672**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

The fair values calculated are as follows

	31/03/14		31/03/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Borrowings	182,868	172,584	193,389	213,910
Other Liabilities	48,349	62,895	51,255	51,255
Creditors	23,060	23,060	26,217	26,217
TOTAL FINANCIAL LIABILITIES	254,277	258,539	270,861	291,382

	31/03/14		31/03/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	57,155	51,749	64,210	64,210
Cash & Cash Equivalents	31,700	31,700	27,526	27,526
Debtors	12,205	12,205	10,499	10,499
TOTAL FINANCIAL ASSETS	101,060	95,654	102,235	102,235

Note 16 Inventories

In undertaking its work the Council holds reserves of stock together with amounts of uncompleted work (work in progress).

The figure shown in the Balance Sheet may be subdivided as follows:

	2013/14	2012/13
	£000	£000
Central Stores	5	9
Total	**5**	**9**

Note 17 Debtors

	Long Term Debtors		Short Term Debtors	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Central Government Bodies	0	0	5,406	8,340
Other Local Authorities	7	7	5,943	1,441
NHS Bodies	0	0	264	1,856
Other entities and individuals	254	225	12,205	10,499
Total	**261**	**232**	**23,818**	**22,136**

Note 18 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

	2013/14	2012/13
	£000	£000
Cash and Bank balances	6,821	7,253
Short Term Deposits	31,700	17,936
Total Cash and Cash Equivalents	**38,521**	**25,189**

Note, Bank overdrafts are shown separately from cash and cash equivalents where they are not an integral part of an Authority's cash management.

	2013/14	2012/13
	£000	£000
Bank Overdraft	(6,144)	(7,769)

	2013/14	2012/13
	£000	£000
Net Cash and Cash Equivalents	32,377	17,420

Note 19 Assets Held for Sale

	Current		Non Current	
	2013/14	2012/13	2013/14	2012/13
	£000's	£000's	£000's	£000's
Balance outstanding at start of year	**6,280**	**8,167**	**0**	0
Transferred from Non-Current Assets during year	0	385	0	0
Assets sold Cost	(5,252)	(1,856)	0	0
Transferred to Property, Plant and Equipment during the year	(643)	(416)		
Balance outstanding at year-end	**385**	**6,280**	**0**	**0**

Note 20 Creditors

Short Term Creditors

	2013/14	2012/13
	£000	£000
Central government bodies	17,289	2,557
Other local authorities	3,492	1,389
NHS bodies	32	0
Other Entities and individuals	23,060	26,217
Total Short Term Creditors	**43,873**	**30,163**

Long Term Creditors

	2013/14	2012/13
	£000	£000
Other creditors falling due after more than one year		
Central government bodies	0	0
Total Long Term Creditors	**0**	**0**

Note 21 Provisions

Curent Year

	Balance as At 1 April 2013	Increase in provision during year	Utilised during year	Unused Amounts Reversed	Unwinding of discounting	Balance as at 31 March 2014
	£000	£000	£000	£000	£000	£000
Insurance Claims	715	3	0	0	0	718
Dilapidations	22	0	(22)	0	0	0
Other	500	0	0	0	0	500
NNDR Appeals	0	866	0	0	0	866
Long Term	223	0		0	0	223
	1,460	**869**	**(22)**	**0**	**0**	**2,307**

Current Provisions	1,237	869	(22)	0	0	2,084
Long Term Provisions	223	0	0	0	0	223
	1,460	**869**	**(22)**	**0**	**0**	**2,307**

Comparative Year

	Balance as At 1 April 2012	Increase in provision during year	Utilised during year	Unused Amounts Reversed	Unwinding of discounting	Balance as at 31 March 2013
	£000	£000	£000	£000	£000	£000
Insurance Claims	709	390	(384)	0	0	715
Dilapidations	22	0	0	0	0	22
Other	500		0	0	0	500
Long Term	390	133	0	(300)	0	223
	1,621	**523**	**(384)**	**(300)**	**0**	**1,460**

Current Provisions	1,231	390	(384)	0	0	1,237
Long Term Provisions	390	133	0	(300)	0	223
	1,621	**523**	**(384)**	**(300)**	**0**	**1,460**

Note 22 Useable Reserves

Movements in the Councils useable reserves are detailed in the Movement in Reserves Statement

Capital Receipts Reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	31/03/2014	31/03/2013
	£000	£000
Balance 1 April	**2,570**	**1,233**
Capital Receipts in year	13,175	4,937
	15,745	**6,170**
Less:		
Capital Receipts Pooled	(680)	(594)
Capital Receipts used for financing	(221)	(3,006)
Balance 31 March	**14,844**	**2,570**

Major Repairs Reserve

	31/03/2014	31/03/2013
	£000	£000
Balance on 1 April	**8,677**	**4,643**
Depreciation on HRA assets	6,860	5,559
Transfer (to)/from HRA Balance	4,662	3,953
HRA Capital Expenditure	(9,015)	(5,478)
Balance on 31 March	**11,184**	**8,677**

Capital Grants Unapplied

	31/03/2014	31/03/2013
	£000	£000
Balance on 1 April	**47,711**	**27,071**
Unapplied Capital Grants received in year	13,612	29,992
Unapplied Capital Grants transferred to CAA in year	(12,269)	(9,352)
Balance on 31 March	**49,054**	**47,711**

Note 23 Unusable Reserves

	31/03/2014	31/03/2013
	£000	£000
Capital Adjustment Account	248,465	250,454
Financial Instruments Adjustment Account	(2,776)	(3,232)
Revaluation Reserve	100,040	82,110
Available for Sale Financial Instruments Reserve	0	0
Pensions Reserve	(169,659)	(162,908)
Deferred Capital Receipts Reserve (England and Wales)	91	91
Collection Fund Adjustment Account	1,408	696
Unequal Pay Back Pay Account	0	0
Accumulating Compensated Absences Adjustment Account	(1,362)	(400)
Total Unusable Reserves	**176,207**	**166,811**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	31/03/14		31/03/2013	
	£000	£000	£000	£000
Balance at 1 April		**250,454**		**279,364**
Reversal of items relating to capital				
Charges for depreciation and impairment of non current assets	(15,173)		(16,421)	
Revaluation losses on Property, Plant and Equipment	16,726		(14,448)	
Revenue expenditure funded from capital under statute	(8,744)		(3,099)	
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	(35,971)		(27,522)	
		(43,162)		**(61,490)**
Adjusting amounts written out of the Revaluation Reserve		11,545		3,490
Net written out amount of the cost of non current assets consumed in the year		**(31,617)**		**(58,000)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	221		3,006	
Use of the Major Repairs Reserve to finance new capital expenditure	9,015		5,478	
Application of grants to capital financing from the Capital Grants Unapplied Account	12,269		9,352	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,429		4,780	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	3,806		2,679	
Borrowing or liabilities met from the major repairs reserve	0		0	
Capital expenditure charged against the General Fund and HRA balances	758		1,721	
		28,498		**27,016**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,130		2,074
Balance at 31 March		**248,465**		**250,454**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Slough Borough Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In Slough's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	41,729	31/03/2013
	£000	£000
Balance at 1 April	**(3,232)**	**(3,720)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	456	488
Balance at 31 March	**(2,776)**	**(3,232)**

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.

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	82,110	80,059
Upward revaluation of assets	29,475	5,541
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**29,475**	**5,541**
Difference between fair value depreciation and historical cost depreciation	(904)	(1,362)
Revaluation balances on assets scrapped or disposed of	(10,641)	(2,128)
Balance at 31 March	**100,040**	**82,110**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	**(162,908)**	**(156,121)**
Remeasurements of the net defined benefit liability/(asset)	(3,644)	(2,210)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(10,639)	(11,965)
Employers pensions contributions and direct payments to pensioners payable in the year	7,532	7,388
Balance at 31 March	**(169,659)**	**(162,908)**

Deferred Capital Receipts Reserve

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

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	**91**	**91**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance at 31 March	**91**	**91**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	**696**	**82**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	986	614
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(274)	0
Balance at 31 March	**1,408**	**696**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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.

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	**(400)**	**(3,142)**
Settlement or cancellation of accrual made at the end of the preceding year	400	3,142
Amounts accrued at the end of the current year	(1,362)	(400)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	**(1,362)**	**(400)**

Note 24 Analysis of Adjustments to Surplus/Deficit on the Provision of Services

Analysis of Adjustments to Surplus/Deficit on the Provision of Services

	2013/14 £000	2012/13 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	15,137	16,389
Impairment & downward valuations	(16,726)	14,448
Amortisation	36	32
(Increase)/Decrease in Inventories	4	(5)
(Increase)/Decrease in Debtors	(1,682)	(7,324)
Increase/(Decrease) in Creditors	13,710	(19,070)
Movement in pension liability	3,107	2,983
Carrying amount of non-current assets sold	35,971	27,522
Movement in provisions	847	287
Movement in value of investment properties	(1,130)	(2,074)
Amounts posted to CIES from Donated Assets Account		0
	49,274	**33,188**

	2013/14 £000	2012/13 £000
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	87,823	0
Proceeds from the sale of PP&E, investment property and intangible assets	(13,464)	(4,937)
Capital grants included in "Taxation & non-specific grant income"	(16,041)	(29,638)
	58,318	**(34,575)**

Note 25 Cash Flow From Investing Activities

	2013/14 £000	2012/13 £000
Purchase of PP&E, investment property and intangible assets	(24,601)	(24,221)
Purchase of Short Term Investments (not considered to be cash equivalents)	(80,600)	(172,539)
Purchase of Long Term Investments	(29)	
Other Payments for Investing Activities	(1,010)	
Proceeds from the sale of PP&E, investment property and intangible assets	13,464	4,937
Proceeds from Short Term Investments (not considered to be cash equivalents)		159,455
Capital Grants and Contributions Received	16,041	30,645
Net Cash flows from Investing Activities	**(76,735)**	**(1,723)**

Note 26 Cash flows from Financing Activities

	2013/14 £000	2012/13 £000
Cash Receipts from Short and Long Term Borrowing	0	0
Other Receipts from Financing Activities	0	0
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(2,893)	(1,838)
Repayment of Short and Long Term Borrowing	(10,004)	(20)
Other payments for Financing Activities	0	0
Net Cash flows from Financing Activities	**(12,897)**	**(1,858)**

Note 27 **Amounts Reported for Resource Allocation Decisions**

2013/14	Wellbeing (Including Schools)	Customer and Community Services	Resources Housing and Regeneration	Chief Executive	Corporate	Total
	£000	£000	£000		£000	£000
Fees, charges & other service income	30,614	9,499	7,078	904	7,967	56,062
Government grants	95,529	2,817	1,589	12	73,382	173,329
Total Income	**126,143**	**12,316**	**8,667**	**916**	**81,349**	**229,391**
Employee expenses	84,742	12,119	8,725	3,773	593	109,952
Other service expenses	123,833	17,059	26,586	1,381	81,237	250,096
Support service recharges	-	-	-	-	-	-
Total Expenditure	**208,575**	**29,178**	**35,311**	**5,154**	**81,830**	**360,048**
Net Expenditure	**82,432**	**16,862**	**26,644**	**4,238**	**481**	**130,657**

2012/13	Wellbeing (Including Schools)	Customer and Community Services	Resources Housing and Regeneration	Chief Executive	Corporate	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	22,261	12,045	6,420	375	1,381	**42,482**
Government grants	94,587	2,938	676	-	82,701	**180,902**
Total Income	**116,848**	**14,983**	**7,096**	**375**	**84,082**	**223,384**
Employee expenses	95,688	13,781	10,793	1,139	484	**121,885**
Other service expenses	76,747	20,242	22,502	650	83,464	**203,605**
Support service recharges	-	-	-	-	-	**-**
Total Expenditure	**172,435**	**34,023**	**33,295**	**1,789**	**83,948**	**325,490**
Net Expenditure	**55,587**	**19,040**	**26,199**	**1,414**	**- 134**	**102,106**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14	2012/13
	£000	£000
Net expenditure in the Directorate Analysis	130,657	102,106
Net expenditure of services and support services not included in the Analysis	78	-17045
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-32,022	-15,965
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	48,680
Cost of Services in Comprehensive Income and Expenditure Statement	98,713	117,776

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis	Services and Support Services not in Analysis	HRA	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	55,184	25,328	41,056	-	-	121,568	-	**121,568**
Income from Investment properties including gains in fair value	-	-	-	-	-	-	1,128	**1,128**
Interest and investment income	878	-	-	-	-	878	876	**1,754**
Income from council tax	-	-	-	-	-	-	43,543	**43,543**
Income from non domestic rates	-					-	26,199	**26,199**
Government grants and contributions	173,329	-	-	-	-	173,329	65,266	**238,595**
Total Income	**229,391**	**25,328**	**41,056**	**-**	**-**	**295,775**	**137,012**	**432,787**
Employee expenses	109,952	4,085	7,963	-	-	122,000	-	**122,000**
Other service expenses	245,264	382	7,312	-	-	252,958	-	**252,958**
Support Service recharges	-	24,716	-	-	-	24,716	-	**24,716**
Depreciation, amortisation and impairment	-	- 3,777	- 6,241	-	-	- 10,018	-	**- 10,018**
Interest Payments	4,832	-	-	-	-	4,832	16,767	**21,599**
Precepts & Levies	-	-	-	-	-	-	268	**268**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	680	**680**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	21,954	**21,954**
Total expenditure	**360,048**	**25,406**	**9,034**	**-**	**-**	**394,488**	**39,669**	**434,157**
Surplus or deficit on the provision of services	**130,657**	**78**	**- 32,022**	**-**	**-**	**98,713**	**- 97,343**	**1,370**

2012/13	Directorate Analysis	Services and Support Services not in Analysis	HRA	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	39,821	4,210	34,439	-	1,058	79,528	-	**79,528**
Surplus or deficit on associates and joint ventures	2,062	-	-	- 2,062	-	-	4,136	**4,136**
Interest and investment income	599	-	-	- 599	-	-	705	**705**
Income from council tax	48,531	-	-	- 48,531	-	-	49,215	**49,215**
Income from non domestic rates	-		-			-	52,306	**52,306**
Government grants and contributions	132,371	64,929	-	- 15,651	-	181,649	50,423	**232,072**
Total Income	**223,384**	**69,139**	**34,439**	**- 66,843**	**1,058**	**261,177**	**156,785**	**417,962**
Employee expenses	121,885	- 2,261	2,063	-	-	121,687	-	**121,687**
Other service expenses	189,573	10,682	11,840	- 4,131	1,058	209,022	-	**209,022**
Support Service recharges	-	17,170	205	-	-	17,375	-	**17,375**
Depreciation, amortisation and impairment	-	26,503	4,366	-	-	30,869	-	**30,869**
Interest Payments	7,613	-	-	- 7,613	-	-	14,795	**14,795**
Expenditure from Investment Properties	6,419	-	-	- 6,419	-	-	6,419	**6,419**
Precepts & Levies	-	-	-	-	-	-	268	**268**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	594	**594**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	22,071	**22,071**
Total expenditure	**325,490**	**52,094**	**18,474**	**- 18,163**	**1,058**	**378,953**	**44,147**	**423,100**
Surplus or deficit on the provision of	**102,106**	**- 17,045**	**- 15,965**	**48,680**	**-**	**117,776**	**- 112,638**	**5,138**

Note 28 Pooled Budgets

Intermediate Care Services

The Council has entered into a pooled budget arrangement with Berkshire East Primary Care Trust to provide Intermediate care services to help with delayed discharges.

	2013/14	2012/13
	£000	£000
Funding provided to the pooled budget:		
The Authority	282	275
The Trust	282	275
	564	**550**
Expenditure met from the pooled budget:		
The Authority	282	275
The Trust	282	275
	564	**550**
Net surplus arising on the pooled budget during the year	**0**	**0**
Authority share of x% of the net surplus arising on the pooled budget		

Berkshire Community Equipment Service

This agreement exists between the six Berkshire Unitary Authorities and two Berkshire Primary Care Trusts with Slough Borough Council being the lead Council and accountable body for the provision of joint store and equipment services using The South Central Ambulance Service NHS Trust.

	CHANGE:	CHANGE:
	£000	£000
Funding provided to the pooled budget:		
The Authority	340	341
Berkshire Primary Care Trusts	3,671	3,010
Other Unitary Authorities	1,512	1,211
	5,523	**4,562**
Expenditure met from the pooled budget:		
The Authority	286	351
Berkshire Primary Care Trusts	3,671	3,010
Other Unitary Authorities	1,512	1,211
	5,469	**4,572**
Net surplus arising on the pooled budget	**54**	**(10)**

Note 29 **Members' Allowances**

During the year Members allowances, including Employer's costs totalled £453k (2012/13 £451k) and are as follows:

	2013/14	2012/13
	£000	£000
Basic Allowance	293	293
Mayor's and Deputy Mayor's Allowance	11	13
Employer costs	18	18
Subsistence	0	0
Special Responsibility Allowance	130	127
	452	**451**

Note 30 **Officers Remuneration**

		Salary, Fees and Allowances	Compensation for Loss of Office - Note 6	Pension Contribution	Total
		£	£	£	
R Bagley - Chief Executive - Note 4	**2013/14**	157,479	0	11,575	**169,054**
	2012/13	160,479	0	20,220	**180,699**
Strategic Director, Regeneration, Hsg & Resources - Note 1	**2013/14**	109,277	0	13,769	**123,046**
	2012/13	58,365	60,043	6,658	**125,066**
Strategic Director, Wellbeing	**2013/14**	126,251	0	15,874	**142,124**
	2012/13	126,207	0	15,874	**142,081**
Strategic Director, Customer & Community Services	**2013/14**	125,983	0	15,874	**141,857**
	2012/13	120,281	0	15,080	**135,361**
Strategic Director, Education and Children's Services - Note 2	**2013/14**	-	0	0	**0**
	2012/13	62,991	169,128	7,937	**240,056**
Assistant Director, Finance & Audit (Section 151 Officer) - Note 3	**2013/14**	75,263	0	9,472	**84,735**
	2012/13	9,742	0	1,228	**10,970**
Director of Public Health - Note 5	**2013/14**	25,574	0	-	**25,574**
	2012/13	-	0	-	**-**

Note 1 - 2012/13 Not full year costs previous incumbent left 01/09/12 and new postholder started 15/4/13
Note 2 - Post removed from establishment during restructure
Note 3 - 2012/13 not full year costs - started 14/2/13
Note 4 - 2012/13 included Returning Officer remuneration
Note 5 - The Director of Public Health costs are shared between the Berkshire Authorities.
The total cost of the post is £136,577 and Slough Borough Council share is 18.73%
Note 6 - This column may include contractual redundancy payments

Senior Employees' Remuneration

	2013/14		2012/13	
	Schools	Non-Schools	Schools	Non-Schools
£50,001 to £55,000	27	15	25	14
£55,001 to £60,000	8	8	11	9
£60,001 to £65,000	4	12	5	14
£65,001 to £70,000	6	4	8	2
£70,001 to£ 75,000	6	5	5	4
£75,001 to £80,000	5	1	7	2
£80,001 to £85,000	2	3		1
£85,001 to £90,000	1	6	1	7
£90,001 to £95,000	1	1	1	2
£95,001 to £100,000	0	0	0	0
£100,001 to £105,000	0	1	0	0
£105,001 to £110,000	0	2	0	2
£110,001 to £115,000	0	0	0	1
£115,001 to £120,000	0	0	0	0
£120,001 to £125,000	0	0	0	1
£125,001 to £130,000	0	2	0	2
£130,001 to £135,000	0	1	0	0
£135,001 to £140,000	0	1	0	0
£140,001 to £145,000	0	0	0	0
£145,001 to £150,000	0	0	0	0
£150,001 to £160,000	0	1	0	0
£160,001 to £170,000	0	0	0	1
£170,001 to £180,000	0	0	0	1
£180,001 to £190,000	0	0	0	0
£190,001 to £200,000	0	0	0	0
£200,001 to £210,000	0	1	0	0
£210,001 to £220,000	0	0	0	0
£220,001 to £230,000	0	1	0	0
£230,001 to £240,000	0	0	0	0
£240,001 to £250,000	0	0	0	1
	60	**65**	**63**	**64**

* the remunerations shown in the table above may be a combination of salaries and contractual redundancy payments

Note 31 **Exit Packages**

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0-£20,000	35	23			35	23	254	176
£20,001 - £40,000	16	12			16	12	442	316
£40,001 - £60,000	5	6			5	6	253	288
£60,001 - £80,000	2	1			2	1	128	61
£80,001 - £100,000	1	1			1	1	99	92
£100,001 - £150,000	1	1			1	1	140	149
£150,001 - £200,000	1	0			1	0	178	0
£200,001 - £250,000	0	0			0	0	0	0
£250,001 - £300,000	0	1			0	1	0	285
Total cost included in bandings							**1,494**	**1,367**
Add: Amounts provided for in CIES not included in bandings							0	
Total cost included in CIES							**1,494**	**1,367**

Exit Package costs includes contractual redundancy payments and payments to the Pension Fund

Note 32 **External Audit Fees**

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Councils external auditors.

	2013/14	2012/13
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	169	223
Less Rebate from Audit Commission	-23	-18
Fees payable for the certification of grant claims and returns for the year	33	45
Fees payable in respect of other services provided during the year	0	10
	179	**260**

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above.

The fees for other services in 2013/14 relate to the National Fraud Initiative.

In 2013/14 the Council received a rebate of £23k (2012/13 £18k) from the Audit Commission. This relates to the Audit Commission's Retained Earnings distribution as announced 25 March 2014.

Note 33 **Dedicated Schools Grant**

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England)
Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	
DSG figure as issued by the Department in July 2013 (This does not include the Early Years January 2014 adjustment)	13,400	120,967	134,367
Academy figure recouped for 2013/14	-	52,996	52,996
Total DSG after academy recoupment for 2013/14	13,400	67,971	**81,371**
Plus: Brought forward from 2012/13	2,173	8,347	10,520
Less: Carry forward to 2014/15 (agreed in advance)	-	-	-
Agreed initial budgeted distribution in 2013/14	13,400	76,453	**89,853**
In year adjustments	-	-	**-**
Final budget distribution for 2013/14	**13,400**	**76,453**	**89,853**
Less: Actual central expenditure	- 10,963		- 10,963
Less: Actual ISB deployed to schools		- 69,827	- 69,827
Plus: Local Authority contribution for 2013/14	-	310	**310**
Carry forward to 2014/15	**2,437**	**6,936**	**9,373**

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Note 34 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13

		2013/14	2012/13
Credited to Taxation and Non-Specific Grant Income		£000	£000
Revenue Support Grant		39762	1014
PFI		3678	3678
Early Intervention Grant		0	7829
	0	0	0
Capital Grants		16041	34772
Donations		0	0
Total		**59481**	**47293**

Capital Grants Received in Advance

	2013/14	2012/13
	£000	£000
Opening balance	392	38
Add: new capital grants received in advance (condition of use not met)	0	354
Capital Grants Repaid		0
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(30)	0
	362	**392**

Analysis of Capital Grants Receipts in Advance Balance

The balance of Capital Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met. The balances at the year end are as follows:

	2013/14	2012/13
	£000	£000
Current		
Capital Grants	362	392
	362	**392**

Long Term		
Capital Grants	0	0
	0	**0**

Revenue Grants Received in Advance

	2013/14 £000	2012/13 £000
Current		
Revenue Grants	0	299
	0	**299**

Long Term		
	0	0
	0	**0**

Note 35 Related Parties

The Council has a wholly owned subsidiary, Development Initiative for Slough Housing (DISH).Two councillors and an officer sit on the DISH board.
The Council has two pooled budget agreements Transactions and balances outstanding are detailed in Note 34.
The Council 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 Council.

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council 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 29 on reporting for resources allocation decisions. Grant receipts in advance at 31 March 2014 are shown in Note 39.
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in note 35.

Three Officers and two members have sat on the board of the Slough Regeneration Partnership (SRP) during 2013-14. The SRP is a Limited Liability Partnership the council has entered into with Morgan Sindall Investments to build a new library, leisure facilities, schools and homes in Slough. The development's first phase will feature The Curve - a brand new library, cultural and community centre in the heart of the town. Expenditure on the construction of The Curve in 2013-14 was £3,938k.
In 2013/14, Slough Borough Council made total payments to Age Concern of £532K (2012/13 £606k). One member is on the governing body. The Council also made payments of £107k to Thames Valley Athletics Centre in 2013-14. One councillor holds a directorship in this organisation. One member is on the board of Slough Council for Voluntary Services. During 2013/14 the council paid this organisation £72k. These payments are considered material to the operations of the related party and have therefore been disclosed within this note.

Note 36 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note

Capital Expenditure and Capital Financing	2013/14	2012/13
	£000	£000
Opening Capital Financing Requirement	**282,465**	**282,127**
Property, Plant and Equipment	24,561	24,236
Intangible Assets	40	19
Revenue Expenditure Funded from Capital under Statute	8,744	3,099
	33,345	**27,354**
Sources of finance		
Capital receipts	(221)	(3,006)
Government grants and other contributions	(14,698)	(14,132)
Other Contributions	0	0
Major Repairs Allowance	(9,015)	(5,478)
Sums set aside from revenue:		
Direct revenue contributions:		
General	(758)	(1,721)
[MRP/loans fund principal]	(3,806)	(2,679)
	(28,498)	**(27,016)**
Closing Capital Finance Requirement	**287,312**	**282,465**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	4,847	338
Increase/(decrease) in Capital Financing Requirement	**4,847**	**3,985**

Note 37 Leases

Operating and Finance Leases

Council as Lessor:

Operating Leases (Council as lessor)

	2013/14		2012/13	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£000	£000	£000	£000
Minimum lease rentals receivable:				
No later than 1 year	360	0	457	0
Later than 1 year and no later than 5 years	1,198	0	1,376	0
Later than 5 years	9,273	0	9,530	0
	10,831	**0**	**11,363**	**0**

Council as Lessee:

Finance Leases (Council as lessee)

LEASED ASSETS (included within property, plant and equipment)

	Vehicles	Building	TOTAL
	£000	£000	
Cost or Valuation			
Opening Balance	4,889	15,857	**20,746**
Additions	0	0	**0**
Disposals	0	0	**0**
Revaluations		(770)	**(770)**
	4,889	15,087	**19,976**
Depreciation			
	1,825	8,201	**10,026**
Disposals	0	0	**0**
Provided for year	939	49	**988**
	2,764	8,250	**11,014**
Net Book Value			
Balance as at 31 March 2014	**2,125**	**6,837**	**8,962**
Balance as at 31 March 2013	**3,064**	**7,656**	**10,720**

Comparative Year

LEASED ASSETS (included within vehicles, plant and equipment)

	Vehicles	Building	TOTAL
	£000	£000	
Cost or Valuation			
Opening Balance	6,159	10,940	**17,099**
Additions	(1,270)	4,917	**3,647**
Disposals	0	0	**0**
	4,889	**15,857**	**20,746**
Depreciation			
Opening Balance	2,156	6,643	**8,799**
Disposals	(1,270)	914	**(356)**
Provided for year	939	644	**1,583**
	1,825	**8,201**	**10,026**
Net Book Value			
Balance as at 31 March 2013	**3,064**	**7,656**	**10,720**
Balance as at 31 March 2012	**4,003**	**4,297**	**8,300**

No contingent rentals were recognised as an expense in the CIES during the reporting period under review, and no future sub-lease income is expected to be received, as all assets are used exclusively by the council.

The lease agreements for the vehicles and IT equipment include fixed lease payments and a purchase option at the end of the respective lease terms. The agreements are non-cancellable but do not include any further restrictions.

Future minimum finance lease payments at the end of each reporting period under review are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
	£000	£000	£000	£000
31/03/14				
Finance leases payments	2,356	4,762	3,341	**10,459**
Less: finance charges	(250)	(261)	(62)	**(573)**
Net present value	**2,106**	**4,501**	**3,279**	**9,886**
31/03/2013				
Finance leases payments	2,404	6,362	4,097	**12,863**
Less: finance charges	(357)	(485)	(76)	**(918)**
Net present value	**2,047**	**5,877**	**4,021**	**11,945**
31/03/12				
Finance leases payments	2,448	7,852	5,012	**15,312**
Less: finance charges	(463)	(809)	(109)	**(1,381)**
Net present value	**1,985**	**7,043**	**4,903**	**13,931**

Included in the Balance Sheet as:

	31/03/14	31/03/2013
	£000	£000
Current liabilities	2,106	2,047
Long term liabilities	7,780	9,898
	9,886	11,945

Operating Leases (Council as lessee)

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	2013/14	2012/13
	Land and buildings	**Land and buildings**
	£000	£000
Minimum lease rentals payable:		
No later than 1 year	587	651
Later than 1 year and no later than 5 years	1,831	2,107
Later than 5 years	1,995	2,190
	4,413	**4,948**

Note 38 Service Concession Arrangements

Accounting Policy

The authorities accounting policy re PFI and similar contracts may be inserted here or included within Accounting Policies at Note 1

During 2006/07, the Council entered into a Private Finance Initiative contract for the design, build and operation of three schools. Penn Wood School became operational on 26th February 2007, Beechwood and Arbour Vale schools becoming operational from 3rd September 2007. The contract period is for 28 years. Under IFRS the assets are recognised as Property Plant and Equipment on the Balance Sheet and are subject to revaluation every five years (as part of the normal valuation of fixed assets). The assets are subject to depreciation and impairment as normal assets. The initial cost under the contract for the design and build element is recognised on the Balance Sheet. This is being written down over the life of the contract as payments are made under the contract. The Council is committed to make total payments of £229.3m over the life of the contract. The annual payments are split into three elements. The capital costs are paid against the liability for the purchase costs, interest is charged against the interest payable account with the service element charged to Education expenditure in the Comprehensive Income and Expenditure Statement.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Current Year	**1,923**	**846**	**3,312**	**6,081**
Previous Year	1,982	(148)	4,117	**5,951**

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2012/13					2013/14			
Payment for Services	Reimbursement of Capital Expenditure	Interest	Total		Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
£000	0	0	£000		£000	£000	£000	£000
1,923	846	3,312	**6,081**	Payable within one year	1,962	924	3,257	**6,143**
9,188	3,377	12,389	**24,954**	Payable within two to five years	9,416	3,635	12,163	**25,213**
13,618	5,544	13,562	**32,724**	Payable within six to ten years	14,165	5,832	13,088	**33,085**
15,543	8,064	11,023	**34,630**	Payable within eleven to fifteen years	15,884	8,734	10,424	**35,042**
15,894	12,813	8,082	**36,789**	Payable within sixteen to twenty years	16,133	13,941	7,181	**37,255**
8,401	8,666	2,236	**19,303**	Payable after twenty years	5,083	5,398	1,179	**11,659**
64,567	**39,310**	**50,604**	**154,481**	Total	**62,642**	**38,464**	**47,292**	**148,398**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

Current Year **2013/14**

	Council Dwellings	Land	Buildings	Infrastructure Assets	Landfill Site	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Intangible Assets	**Total PP&E and intangible assets**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	0	0	39,309	0	0	0	0	0		0	39,309
Payments during the year			(846)								**(846)**
Balance outstanding at year-end	**0**	**0**	**38,463**	**0**	**0**	**0**	**0**	**0**		**0**	**38,463**

Comparative Year **2012/13**

	Council Dwellings	Land	Buildings	Infrastructure Assets	Landfill Site	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Intangible Assets	**Total PP&E and intangible assets**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year			40,012								**40,012**
Payments during the year			(703)								**(703)**
Balance outstanding at year-end	**0**	**0**	**39,309**	**0**	**0**	**0**	**0**	**0**		**0**	**39,309**

Note 39 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

The scheme is a defined benefit scheme, administered by the Teachers' Pension Agency (TPA).

Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities (LEAs). However it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described above.

In 2013/14, the Council paid £3.68m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £3.94m and 14.1%. There were no contributions remaining payable at the year-end.

Note 40 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

(i) The Local Government Pension Scheme, administered locally by Royal Borough of Windsor and Maidenhead Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

(ii) Arrangements for the award of 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 liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Berkshire pension scheme is operated under the the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Royal Borough of Windsor and Maidenhead Council. Policy is determined in accordance with the Public Service Pensions Act 2013.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory

Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund [and Housing Revenue Account] via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/1
	£000	£000	£000	£0
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	(9,669)	(9,059)	0	
Past service cost	(612)	(954)	0	
(Gain)/loss from settlements	6,425	4,930	0	
Financing and Investment Income and Expenditure:				
Net Interest expense	(6,783)	(6,882)	0	
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**(10,639)**	**(11,965)**	**0**	
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(3,215)	10,369	0	
Actuarial gains and losses arising on changes in demographic assumptions	15,143	0	0	
Actuarial gains and losses arising on changes in financial assumptions	(15,572)	(12,579)	0	
Other	0	0	0	
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	**(14,283)**	**(14,175)**	**0**	
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**10,639**	**11,965**	**0**	
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**(7,532)**	**(7,388)**		
Retirement benefits payable to pensioners			**0**	

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/1
	£000	£000	£000	£0
Present value of the defined obligation	365,918	355,412	0	
Fair value of plan assets	(196,259)	(192,504)	0	
	169,659	**162,908**	**0**	
Other movements in the liability (asset)	0	0	0	
Net liability arising from the defined benefit obligation	**169,659**	**162,908**	**0**	

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2013/14	**2012/13**	**2013/14**	**2012/1**
	£000	£000	£000	£0
Opening fair value of scheme assets	(192,504)	(176,336)	0	
Interest income	(8,362)	(7,807)		
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	3,215	(10,369)		
Other (if applicable)				
The effect of changes in foreign exchange rates				
Contributions from employer	(7,532)	(7,388)		
Contributions from employees into the scheme	(2,446)	(2,447)		
Benefits/transfers paid	11,370	11,843		
Other (if applicable)				
Closing value of scheme assets	**(196,259)**	**(192,504)**	**0**	

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2013/14	**2012/13**	**2013/14**	**2012/1**
	£000	£000	£000	£0
Opening balance at 1 April	355,412	332,457	0	
Current service cost	9,669	9,059		
Interest cost	15,145	14,689		
Contributions from scheme participants	2,446	2,447		
Remeasurement (gains) and losses:				
Actuarial gains/losses from changes in demographic assumptions	(15,143)			
Actuarial gains/losses from changes in financial assumptions	15,572	12,579		
Other (if applicable)				
Past service cost	612	954		
Losses/(gains) on curtailments where relevant	0	0		
Liabilities assumed on entity combinations				
Benefits/transfers paid	(11,370)	(11,843)		
Liabilities extinguished on settlements (where relevant)	(6,425)	(4,930)		
Balance as at 31 March	**365,918**	**355,412**	**0**	

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/13	**31/03/14**
	£000	£000
Cash and cash equivalents	0	(3,707)
Equities:		
Overseas	(49,245)	(49,822)
UK	(27,700)	(28,025)
sub-total equity	**(76,945)**	**(77,847)**
Bonds:		
by sector		
Government Gilts	(1,876)	(1,854)
Overseas Unit Trusts	(16,552)	(12,455)
Overseas Private equity	(22,858)	(17,200)
sub-total bonds	**(41,286)**	**(31,509)**
Other Investment Funds:		
Infrastructure	0	(7,414)
Property	(18,767)	(22,242)
Target Return	0	(33,364)
Commodities	0	(16,682)
Alternative Assets	(50,671)	0
sub-total other investment funds	**(69,438)**	**(79,702)**
Longevity Insurance		7,414
Total assets	**(187,669)**	**(185,351)**

All scheme assets have quoted prices in active markets

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.
The Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Bershire Local Governementl Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary are set out below:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14	**2012/13**	**2013/14**	**2012/**
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	22.7	23.1	0.0	0
Women	26.0	25.7	0.0	0
Longevity at 65 for future pensioners:				
Men	24.9	25.1		
Women	28.3	27.6		
Financial assumptions:				
Rate of inflation	3.6%	3.4%	0.0%	0.0
Rate of increase in salaries	4.6%	4.6%		
Rate of increase in pensions	2.8%	2.6%	0.0%	0.0
Discount Rate	4.5%	4.6%	0.0%	0.0

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

	Impact on the Defined Benefit Obligation in the	
	Increase in assumption	**Decrease in assumption**
	£000	**£000**
Longevity (increase or decrease in one year)	342,570	367,563
Rate of increase in salaries (increase or decrease by 1%)	355,750	359,433
Rate of increase in pensions and deferred revaluation (increase or decrease by 0.1%)	360,967	349,168
Rate for discounting liabilities (increase or decrease by 0.1%)	348,544	361,604

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next x years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2014.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.
[Alternative wording will be required for Scotland where the new career average based approach is due to start from 1 April 2015]

The Authority anticipates to pay £6,723K expected contributions to the scheme in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members is 13 years, 2013/14 (24 years 2012/13).

Note 41 Nature and Extent of Risks Arising from Financial Instruments

Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments - Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of 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.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.

Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.

Market Risk: The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that 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-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £20M in total can be invested for a period longer than one year.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury
Management Strategy Statement for 2013/14, approved by Full Council on 19th February 2013 and can be accessed with the link below:

http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=168&MId=4697

The table below summarises the nominal value of the Council's investment portfolio and shows that all deposits outstanding as at 31st March 2014 met the Council's credit rating criteria at that date:

Counter Party	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31.3.2014	Balance Invested as at 31st March 2014				Total
	YES/NO	YES/NO	Upto 1 month	> 1 and < 3 months	> 3 and < 6 months	> 6 and < 12 months	
			£'000	£'000	£'000	£'000	£'000
Banks - UK	YES	YES	11,100	0	0	15,000	26,100
Banks - non UK	YES	YES	5,000	0	0	0	5,000
Total Banks			**16,100**	**0**	**0**	**15,000**	**31,100**
Building Societies	YES	YES	0	5,000	0	6,000	11,000
Call Accounts	YES	YES	31,635	0	0	0	31,635
Local Authorities	YES	YES	0	8,750	0	6,250	15,000
TOTAL			**47,735**	**13,750**	**0**	**27,250**	**88,735**

	Amount at 31/01/14£ 000	Historical experience of Default %	Adjustment for Market Conditions @31/03/14 %	Estimated Maximum Exposure to Default
	a	b	c	(a*c)
Deposits with banks and financial institutions				
AAA* rated counterparties				
(investments up to 1 year)	53,700	0.00%	0.00%	0
Other Investments				
Local Authorities	15,000	0.00%	0.00%	0
Money Market Funds	20,035	0.00%	0.00%	0
Heritable Bank	75	20.00%	14.00%	11

The Council does not hold collateral against any investments.

Note 41 cont **Nature and Extent of Risks Arising from Financial Instruments**

	31/03/2014	31/03/2013
	£0	£0
Increase in interest payable on variable rate borrowings	230	399
Increase in interest receivable on variable rate investments	-316	-80
Increase in government grant receivable for financing costs	0	0
Impact on Surplus or Deficit on the Provision of Services	**-86**	319
Share of overall impact debited to the HRA	260	128

Decrease in fair value of fixed rate investment assets	152	128
Impact on Other Comprehensive Income and Expenditure	0	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0	0

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Housing Revenue Account for the year ended 31st March

	2013/14 £000	2012/13 £000
Income		
Dwelling rents	31,721	30,421
Non-dwelling rents	1,430	1,504
Charges for services and facilities	1,934	1,908
Contributions from General Fund	717	606
Housing Revenue Account Subsidy Receivable		
Sums directed by the Secretary of State or Welsh Government that are income in accordance with the Code	0	0
Total Income	**35,802**	**34,439**
Expenditure		
Repairs & Maintenance	6,934	6,661
Supervision & Management:	0	0
General	6,693	5,780
Special	1,477	1,420
Rents, Rates, Taxes and other charges	180	124
Housing Revenue Account Subsidy payable	0	(82)
Depreciation and impairments of non-current assets	(11,504)	4,366
Debt Management Costs	0	0
Sums directed by the Secretary of State or Welsh Government that are expenditure in accordance with the Code		
Total Expenditure	**3,780**	**18,269**
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	**(32,022)**	**(16,170)**
HRA Services Share of Corporate & Democratic Core	295	205
HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	0	0
Net Expenditure of HRA Services	**(31,727)**	**(15,965)**
Gains(Cr)/loss on sale of HRA Fixed Assets	6,140	7,176
Interest Payable and Similar Charges	5,360	5,388
HRA Interest and Investment Income	(153)	(58)
Net interest on the defined benefit liability (asset)		190
Capital Grants and Contributions		
Surplus for Year on HRA Services	**(20,380)**	**(3,269)**

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Adjustments between accounting basis and funding basis

Movement on the HRA Statement

	2013/14	2012/13
	£000	£000
Balance on the HRA at the end of the previous year	14,334	8,897
Surplus or (Deficit) on the HRA Income and Expenditure Statement	20,380	3,269
Adjustments between accounting basis and funding basis under stature	(16,601)	2,168
Net Increase or (Decrease) before transfers to or from reserves	3,779	5,437
Transfers (to)/from Reserves	0	0
Increase or (decrease) on the HRA for the year	**3,779**	**5,437**
Balance on the HRA at the end of the current year	**18,113**	**14,334**

	2013/14 £000	2012/13 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	(128)	(128)
Revaluation and Impairment of PPE	(11,383)	4,366
Capital Grants Reversed	0	0
Minimum Revenue Provision	0	0
HRA Self Financing		0
Gain or loss on sale of HRA non current assets	6,140	7,176
HRA Share of Contributions to or from the Pension Reserve	292	266
Transfers to/(from) Major Repairs Reserve	(11,522)	(9,512)
Transfers to/(from) Housing Repairs Account		0
Capital expenditure funded by the HRA	0	0
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**(16,601)**	**2,168**

Notes to the Housing Revenue Account

1. Housing Revenue Account

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is “ringfenced” and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. Housing Stock

The number of dwellings in the Authority’s housing stock, as at 31 March 2014 totalled 6,258 properties. The type of properties and the period in which they were built, were as follows:

	31st March 2014	31st March 2013
	Number	Number
Property Type		
Houses	2,779	2,818
Flats	2,945	2,980
Bungalows	530	540
Shared Ownership	4	4
Awaiting Demolition	0	19
Total Dwellings 31 March	**6,258**	**6,361**
Total Dwellings 1st April	**6,361**	**6,424**
Sold	(73)	(32)
Conversion	0	0
New Build/Acquisition	0	27
Demolished	(30)	(58)
Total Dwellings 31 March	**6,258**	**6,361**

3. Major Repairs Reserve

The movement on the Major Repairs Reserve during the year ended 31 March 2014 is summarised below:

	2013/14	2012/13
	£000	£000
Balance at 1 April	8,677	4,643
Depreciation	6,860	5,559
Voluntary Transfers from the HRA		
Transfer to HRA balance	**4,662**	**3,953**
Debits in respect of the repayment of principal borrowed where the repayment was met from	**0**	
Debits in respect of meeting the liability of	**0**	
Capital expenditure on HRA Land, Houses and	(9,015)	(5,478)
Balance at 31 March	**11,184**	**8,677**

4. Housing Revenue Account Capital Expenditure

	2013/14	2012/13
	£000	£000
Capital investment		
Operational assets	9,752	8,427
Non-operational assets		0
Other		0
Revenue Expenditure funded from Capital		0
	9,752	**8,427**
Sources of funding		
Borrowing		0
Credit Arrangements		
Capital Receipts	221	885
Major Repairs Reserve	9,015	5,478
Government grants and other contributions	**516**	**2,064**
Direct Revenue Financing	0	0
	9,752	**8,427**

Revenue Expenditure funded from Capital Under Statute represents items that would be expensed under the Code's general requirements but are covered by statutory definitions of Capital Expenditure.

5. Capital Receipts from Disposal of Land, Houses and Other Property within the

	2013/14	2012/13
	£000	£000
Council dwellings -		
Right to Buy	6,278	4,017
Discounts repaid	69	0
Non-Right to Buy	418	0
Other Receipts -		
Land sales	13	0
Other property sales	1,096	0
Mortgage Property	19	0
	7,893	**4,017**
Less Pooled (Paid to Central Government)	(847)	(594)
	7,046	**3,423**

6. Housing Revenue Account Subsidy

2011/12 was the final year of the subsidy system in England and the receipt of an HRA subsidy amount.

The elements of Housing Revenue Subsidy for the year are as follows:

	2013/14	2012/13
	£000	£000
Management and Maintenance		0
Major Repairs Allowance	0	0
Charges For Capital		0
Other Items of Reckonable Expenditure		0
Interest on Receipts		0
Guideline Rent Income		0
Total In year HRA Subsidy Payable	**0**	**0**
Previous years Adjustment		(82)
Total HRA Subsidy Due to (From) CLG	**0**	**(82)**

7. Rent Arrears

During 2013/14 total rent arrears increased by £88,000 (£33,000 increase 2012/13). A summary of rent arrears and prepayments is shown in the following table:

	2013/14	2012/13
	£000	£000
Current Tenant Arrears	1,455	1,242
Former Tenant Arrears	582	707
Total Rent Arrears	**2,037**	**1,949**
Prepayments	(489)	(460)
Net Rent Arrears	**1,548**	**1,489**

8. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £1,665,000 (£1,564,000 2012/13)

9. Depreciation and Impairment of Non-Current Assets

	2013/14		2012/13	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	6,368	(12,852)	5,312	0
Other Land and Buildings	129	0	143	(1,193)
Vehicles, Plant, Furniture and Equipment	357	0	104	0
Infrastructure and Community Assets	0	0	0	0
Assets Under Construction	0	0	0	0
Surplus Assets Not Held for Sale	6	(258)	0	0
Investment Properties	0	0	0	0
Assets Held for Sale	0	0	0	0
	6,860	**(13,110)**	**5,559**	**(1,193)**

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2012/13						2013/14			
Business Rates £000	Business Rates Supplement £000	Council Tax £000	Total £000	Collection Fund	Notes	Business Rates £000	Business Rates Supplement £000	Council Tax £000	Total £000
				INCOME					
		(48,370)	(48,370)	Council Tax	4			(52,596)	(52,596)
				Transfers from General Fund - council tax:					
		(10,432)	(10,432)	Council Tax Benefit	4				
		0	0	Transitional Relief	4			0	0
		0	0	Discounts for Prompt Payment				0	0
(86,235)			(86,235)	Income collectable from Business Ratepayers	5				
				Non-domestic rates		(95,721)			(95,721)
				Transitional protection payments - non-domestic rates [if applicable]		0			0
	0		0	Income collectable in respect of Business Rate Supplements			0		0
(86,235)	**0**	**(58,802)**	**(145,037)**	**Total amounts to be credited**		**(95,721)**	**0**	**(52,596)**	**(148,317)**
				EXPENDITURE					
				Business Rate:					
86,020			86,020	Payment to National Pool	5				
215			215	Cost of Collection					
				Transitional protection payments - non-domestic rates [if applicable]		976			976
				Precepts, demands and shares					
				Central Government	6	44,815			44,815
		48,605	48,605	Billing Authority		43,913		42,555	86,468
		0	0	County Council		0		0	0
		2,337	2,337	Fire Authority		891		2,186	3,077
		6,478	6,478	Police Authority				5,672	5,672
				Business Rate Supplement:					
	0		0	Payment to levying authority's Business Rate Supplement Revenue Account			0		0
	0		0	Administrative Costs			0		0
				Charges to Collection Fund					
		496	496	Write-offs of uncollectable amounts		4,938		155	5093
		165	165	Increase/(decrease) in allowance for impairment		(1,228)		851	-377
				Increase/(decrease) in allowance for appeals		1,768			1768
				Charge to General Fund for allowable collection costs for non-domestic rates		210			210
				Apportionment of previous year's estimated Collection Fund surplus:					
				Central Government		0			0
		0	0	Billing Authority		0		0	0
		0	0	County Council		0		0	0
		0	0	Fire Authority		0		0	0
		0	0	Police Authority				0	0
		0	0	Adjustment of previous years' community charges				0	0
86,235	**0**	**58,081**	**144,316**	**Total amounts to be debited**		**96,283**	**0**	**51,419**	**147,702**
0	**0**	**(721)**	**(721)**	**(Surplus) /deficit arising during the year**		**562**	**0**	**(1,177)**	**(615)**
0	0	(104)	(104)	(Surplus)/deficit b/f at 1 April		0	0	(825)	(825)
0	**0**	**(825)**	**(825)**	**(Surplus)/deficit c/f at 31 March**		**562**	**0**	**(2,002)**	**(1,440)**

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Note 1 - Council Tax

The introduction of Council Tax on 1 April 1993 revised the method of accounting for the Council's Collection Fund. The main features of the arrangements may be summarised as follows:

a) Revenue Support Grant and amounts for distribution from the NNDR National Pool are paid directly to all Billing and Precepting Authorities and are disclosed in the Income and Expenditure Account

b) Interest is no longer payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is now payable directly to the General Fund, as shown on the Income and Expenditure Account

c) The year-end surplus or deficit on the Collection Fund is to be distributed between Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. For 2013/14, the amount outstanding in January 2013 in respect of Council Tax when compared with the provision made by the Council for non-payment, was not above the level anticipated and therefore no surplus was declared.

d) Under the old Community Charge Collection Fund any surplus or deficits were retained within the fund, however the revised arrangements in (c) above resulted in any such balances being cleared to the relevant authority. For 2013/14, the amount outstanding in January 2013 in respect of Community Charge when compared with the provision made by the Council for non-payment, was not above the level anticipated and therefore no surplus was declared.

Note 2 - Council Tax Valuation Bands

Most domestic Dwellings (including flats) whether rented or owned, occupied or not, are subject to Council Tax. Each Dwelling is allocated to one of eight bands according to their open market capital value at 1 April 1991.

Valuation Band Range of Values

A	Up to & including	40,000		
B		40,001	-	52,000
C		52,001	-	68,000
D		68,001	-	88,000
E		88,001	-	120,000
F		120,001	-	160,000
G		160,001	-	320,000
H	More Than			320,001

Note 3 - Council Tax Income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows: (The actual amount payable for each property is also subject to discounts where applicable.)

Band	Calculated number of dwellings		Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	1,083	1,083	6/9	722	927.54
B	9,126	9,126	7/9	6,084	1,082.13
C	26,081	26,081	8/9	17,387	1,236.72
D	17,358	17,358	9/9	11,572	1,391.31
E	7,113	7,113	11/9	4,742	1,700.49
F	3,257	3,257	13/9	2,171	2,009.67
G	750	750	15/9	500	2,318.85
H	11	11	18/9	7	2,782.62
				43,186	

Note 4 - Council Tax Required

The amount of Council Tax required for Band D was calculated on the following basis:

(i) Preceptor's Council Tax Requirements	16,100,239
(ii) Number of Band D equivalent Dwellings	11,572
Band D (i divided by ii)	1,391.31

The Council Tax required then forms part of the Income and Expenditure Account as detailed in the following table:

	2013/14	2012/13
	£000	£000
Net Amount	52,596	48,370
Benefits	0	10,432
Use of Provision for Doubtful Debts	(1,006)	(846)
Council Tax Surplus	(908)	(536)
Balance carried forward	0	0
Council Tax Requirement	**50,682**	**57,420**

Note 5 – Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2013/14 the amount was 47.1p (45.8p = 2012/13). The small business rate multiplier was 46.2p for 3013/14 (45.0 2012/13). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 11. The total rateable value @ 31 March 2014 was £89,007,759 (31 March 2013 = £89,855,464).

Note 6 - Precepts & Demands

The following amounts were paid from the fund:

	2013/14	2012/13
	£000	£000
Slough Borough Council	42,555	48,337
Britwell Parish Council	120	120
Wexham Court Parish Council	55	55
Colnbrook with Poyle Parish Council	93	93
Royal Berkshire Fire Service	2,186	2,337
Thames Valley Police Authority	5,672	6,478
Total	**50,681**	**57,420**

AAA FITCH RATING
Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING
Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING
High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS
Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:
Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
The actuarial assumptions have changed

ASSET
An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:
A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS
An independent examination of the Council's financial affairs.

BALANCE SHEET
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BUDGET
The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME
The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT
The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND
A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

CONSISTENCY
The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's accounts.

CONTINGENT LIABILITY
A contingent liability is either:
☐ A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
☐ A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE
The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR
Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR
Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CHARGES
Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

DEFINED BENEFIT PENSION SCHEME
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)
Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY
The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS
For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

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 grants receivable towards the purchase or use of the asset.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN
The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS
Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS
A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)
A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT
A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT
The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS
Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)
The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY
A liability is where the Council owes payment to an individual or another organisation.
A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES
Current asset investments that are readily disposable by the Council without disrupting its business and are either:
Readily convertible to known amounts of cash at or close to the carrying amount; or
Traded in an active market

LONG-TERM CONTRACT
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY
The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET BOOK VALUE
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT
The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS
These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)
The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.
NON-OPERATIONAL ASSETS
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.
OPERATING LEASE
A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT
The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT
Material adjustments applicable to previous years arising from changes in accounting polices or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)
A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE
The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES
There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.
RELATED PARTY TRANSACTIONS
The Statement Of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.
RESIDUAL VALUE
The net realisable value of an asset at the end of its useful life.
RETIREMENT BENEFITS
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE
The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT
A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS
Items of raw materials and stores an Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING
Money borrowed for a period of less than one year.

TRUST FUNDS
Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)
The period over which the Council will derive benefits form the use of a fixed asset.

SLOUGH BOROUGH COUNCIL

FINAL REPORT TO THE AUDIT AND RISK COMMITTEE

Audit for the year ended 31 March 2014

September 2014

CONTENTS

OVERVIEW

Significant Matters for the attention of those charged with governance

We present this report to the Audit and Risk Committee on 23 September 2014 as our audit of the 2013/14 financial statements and value for money is approaching completion. At the time of drafting this report there is a significant amount of audit work still in progress, although we expect to complete the audit before the statutory deadline of 30 September 2014.

FINANCIAL STATEMENTS AUDIT

Background to the 2013/14 audit of Slough Borough Council

Members will be aware the Council has previously experienced difficulty in achieving national and local timetables for the production of its annual financial statements. The opinion on the 2012/13 financial statements was given on 31 October 2013, one month after the statutory deadline, due to the significant number of issues arising from the audit and the high number of amendments required to the financial statements.

Our 2013/14 audit plan, presented to the Audit and Risk Committee in March 2014, therefore identified the preparation of the financial statements as a significant audit risk.

Members will also be aware that the Council established an accounts closedown project group to oversee the preparation for and delivery of the 2013/14 accounts closedown process. The group reported to the corporate management team and the Audit and Risk Committee received updates on progress from the Chief Finance Officer in the year. The project plan identified the processes and arrangements that needed to be put in place by the finance team, service departments and third party providers, to effectively produce the financial statements for 2013/14, to be certified by the Chief Finance Officer by the beginning of June 2014. The project plan included actions to ensure that supporting working papers were adequate and produced on a timely basis.

We prepared a detailed schedule of working papers and a database of template working papers for the audit trails we expected to receive with the draft financial statements. We provided our schedule of working paper requirements to officers on 31 March 2014. Officers have pointed out the Council's accounts closedown improvement project commenced in November 2013. We believe we provided our requirements in sufficient time for the Council's accounts closedown. A number of meetings were also held with finance officers in the lead up the accounts closedown to discuss working paper requirements and progress on the Council's accounts preparation project.

Key audit findings

The Council provided the draft financial statements to us on 30 June 2014, in accordance with the statutory deadline. The requirements of the Accounts and Audit Regulations for the Chief Finance Officer to certify the financial statements by 30 June 2014 were therefore met.

From our initial review of the draft financial statements it was clear that they contained fewer inconsistencies than the draft statements provided to us in the prior year. However, a number of presentational inconsistencies and errors were identified by our review which indicated that there had been insufficient time for a critical review of the draft before it was presented for audit.

OVERVIEW

Significant Matters for the attention of those charged with governance

A detailed file of electronic working papers was provided to us on 7 July 2014, in accordance with the agreed timetable. However, our review of these working papers found a number of gaps and quality issues. Our comparison to the detailed schedule of working papers provided to the Council found that only a third of the working papers were sufficiently detailed to allow an effective starting point for the audit of those balances. It is accepted this is our subjective judgement. Delays were therefore experienced in progressing our work from the outset of the audit. Further delays were experienced as audit queries arose throughout the onsite audit visit. We kept the Corporate Financial Controller and the Chief Finance Officer of the progress of the audit throughout our on-site visit and provided an estimate of the additional costs incurred based on the additional time spent in progressing audit queries.

Our audit has again identified a number of material errors in the presentation of the financial statements. We also found a high number of non-trivial (not material) errors and other inconsistencies. Officers are adjusting the majority of the errors identified by our audit. We have also followed up on the recommendations that we raised last year and the results are recorded in Appendix IV. The following significant changes occurred between the draft financial statements produced on 28 June and the audited financial statements.

1) Adjustment to derecognise two buildings that were demolished prior to 1 April 2012 (these were removed from the accounts in 2013/14 in the draft financial statements):

As at 1 April 2012 (restated by prior period adjustment):

- the amount of net assets (Balance Sheet) decreased by £6.193 million (from £202.804 million to £196.611million)
- unusable reserves (Balance Sheet) decreased by £6.193 million (from £202.804 million to £196.611 million)

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As at 31 March 2013 (restated by prior period adjustment):

- net assets (Balance Sheet) decreased by £6.193 million (from £285.365 million to £279.172 million)
- unusable reserves (Balance Sheet) decreased by £6.193 million (from £173.002 million to £166.809 million)

2) Correction of a number of misstatements in 2013/14, principally to recognise upward indexation of £17.861 million on council dwellings (of which £5.056 million was credited to the Comprehensive Income and Expenditure Statement), to transfer £6.193 million loss on disposal of two buildings (in the Comprehensive Income and Expenditure Statement) to prior years, to recognise upward revaluation of £3.227 million on four buildings revalued during the audit (of which £658,000 was credited to the Comprehensive Income and Expenditure Statement) and to recognise net expenditure of £1.445 million relating to schools (in the Comprehensive Income and Expenditure Statement):

As at 31 March 2014:

- net assets (Balance Sheet) increased by £18.894 million (from £283.108 million to £303.635 million)
- earmarked reserves (Balance Sheet) reduced by £1.633 million (from £26.091 million to £24.458 million)
- unusable reserves (Balance Sheet) increased by £20.527 million (from £155.680 million to £176.207 million)
- deficit on the provision of services (Comprehensive Income and Expenditure Statement) reduced by £10.331 million (from £13.334 million to £3.003 million).

OVERVIEW

Significant Matters for the attention of those charged with governance

Next steps

Officers recognise the Council's arrangements for preparing the financial statements require further strengthening. Management believes it now has a more stable platform to achieve this. We will be working with the Chief Finance Officer and his team to ensure the recommendations arising from our audit are implemented, and that the significant matters identified by auditors are addressed in producing the 2014/15 financial statements. While our audit work remains in progress at the time of drafting this report, we will update the Audit and Risk Committee at the meeting on 23 September 2014. We will circulate a revised report to the Committee before we issue our audit opinion, to update the Committee on the results of the work completed since drafting this report.

Subject to satisfactory completion of the outstanding audit work, we expect to issue an unqualified opinion on the financial statements.

QUALIFIED VALUE FOR MONEY CONCLUSION

Challenging economy, efficiency and effectiveness

The Audit Commission's Code of Practice requires auditors to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. In meeting this responsibility, we must have regard to certain criteria specified by the Commission. The criteria for economy, efficiency and effectiveness ('VFM') published by the Audit Commission for the period ended 31 March 2014 covers the Council's arrangements for prioritising resources and improving productivity and efficiency. Guidance on applying the criteria is provided by the Commission and includes examples of the characteristics of proper arrangements Councils might have in place to challenge VFM, including the leadership and the capacity necessary to deliver the scale of expected spending reductions; consultation with service users on service development; data quality and use of information; partnership working and a track record of challenging service performance; and delivering cost reductions and maintaining service quality. There are three VFM conclusions available to the auditor:

- an unqualified conclusion
- a qualified conclusion
- an adverse conclusion.

OVERVIEW

Significant Matters for the attention of those charged with governance

Reports published by Ofsted at Slough contain judgements relevant to the characteristics indicated by the Audit Commission which we have considered in reaching a qualified VFM conclusion. In December 2013 Ofsted completed an inspection of services for children in need of help and protection, children looked after and Care Leavers. While recognising improvement had been made in specific areas, Ofsted also concluded that insufficient progress had been made, and judged the services it reviewed to be inadequate overall. Ofsted also concluded arrangements for securing the effectiveness of the Local Safeguarding Children Board (LSCB) were inadequate. By Ofsted's definition of 'inadequate', the judgement indicates that the LSCB could not demonstrate the required skills to discharge its statutory duties. Ofsted did conclude the LSCB had taken effective action to address some of the weaknesses in its operations identified by a previous inspection. Ofsted also concluded the LSCB is well placed to drive the improvements necessary.

While recognising some recent, positive outcomes have been reported by the Council in Children's Social Care Services, because of the significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, and the judgement that insufficient progress had been made in the inspection in 2013, and the decision of the Department for Education to pursue a transfer of Children's Social Care Services out of the Council's control, we expect to issue a qualified value for money conclusion. We have also had regard to the inadequate judgement published by Ofsted about the effectiveness of the Local Safeguarding Children's Board in reaching our conclusion. The VFM conclusion will state that in all significant respects, the Council secures value for money in use of resources except for this matter.

Significant audit findings

This summary covers the significant findings from our audit of Slough Borough Council ('Council') for the year ended 31 March 2014. However, you should read the entirety of this report, as there may be other matters raised that you consider important.

AREA OF AUDIT	SUMMARY
Financial statements Unqualified opinion	We have completed a substantial part of our work, although there remains a significant amount of audit work still in progress at the time of drafting this report. Further detail on the status of our work is set out on the following page. Our final audit materiality is £4.3 million (see appendix III) and we have reported all non-trivial unadjusted audit differences greater than £86,000. Ten material misstatements were identified as a result of our audit which management has agreed to amend. Four of these misstatements relate to disclosures in the financial statements notes rather than the primary statements. These amendments, together with the other non-material amendments that have been processed, reduced the deficit on provision of services for the year (in the Comprehensive Income and Expenditure Statement) by £10.331 million, from £13.334 million to £3.003 million. These corrections relate either to reclassifications of transactions or balances, or capital items which are subsequently reversed through reserves, therefore there is no impact on the closing general fund balance. There are seven unadjusted audit differences identified by our audit work which would increase the revised deficit on the provision of services by £1.995 million to £4.998 million (from £3.003 million). Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014.
Control environment	We are required to report to you the significant deficiencies we found in internal controls during the course of our audit. The Council's arrangements for preparing effective audit working papers to support the financial statements are considered to be a significant deficiency in controls. A number of other areas for improvement were identified which we have discussed with management. Some of these are included in the action plan at Appendix IV.
Governance reporting	We are satisfied that the annual governance statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE).
Whole of Government Accounts (WGA)	Our review of the Council's WGA Data Collection Tool (DCT) will commence when we receive a revised return from officers. The Government's deadline for submission of the audited return is 3 October 2014. The achievement of that deadline will depend on the quality of the return, its timely receipt and with appropriate working papers. There is a risk the Government's deadline will not be met because at the time of drafting this report the amendments to the draft DCT have not yet been made.

Significant audit findings (continued)

AREA OF AUDIT	SUMMARY
Use of resources Qualified conclusion	In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In December 2013 concluded, following an inspection, that services for children in need of help and protection, children looked after and Care Leavers were inadequate overall. Ofsted also concluded, following a review, that arrangements for securing the effectiveness of the Local Safeguarding Children Board were inadequate. In June 2014 an independent research company commissioned by the Minister of Children's Services, published a report into Slough's Children's Social Care Services. The Parliamentary Under Secretary of State for Children and Families for the government department considered the report and wrote to the Council on 15 July 2014 confirming he was minded that Children's Services should be removed from the Council's control. A final decision is however awaited. On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matter reported above, we are satisfied that in all significant respects Slough Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

OVERVIEW
Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

AUDIT STATUS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2014. The following matters are outstanding at the date of this report.

We will update you on their current status at the Audit and Risk Committee.

- Clearance of outstanding issues raised with management regarding:
  - Schools balances
  - A number of queries across a range of balances, income and expenditure and other disclosures.
- Audit of journals for evidence of management override of controls
- Audit of Cash Flow Statement and supporting notes following other amendments to the financial statements
- Final review of our audit work at engagement partner level, and clearance of any review points arising
- Receipt of final draft statement of accounts for agreed amendments
- Subsequent events review
- Management representation letter, as attached in Appendix VI, to be approved and signed.

TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Clearance of outstanding audit work and review points	by 30 September 2014
Audit and Risk Committee meeting	23 September 2014
Signing of financial statements	30 September 2014
Submission of WGA assurance report	TBA

INDEPENDENCE

Integrity, objectivity and independence and appropriate safeguards

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Risk Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the audit engagement partner and the audit staff. We have considered such matters in the context of our audit for the year ended 31 March 2014.

FEES AND NON AUDIT SERVICES

A summary of planned fees for audit and non-audit services for the period from 1 April 2013 to date is set out below:

	£
Audit fees	(1) 168,960
Certification fees	(2) 14,828
Other fees	-
TOTAL FEES	**183,788**

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(1) The scale fee for the audit as published by the Audit Commission and reported in our audit plan is £168,960. However, our audit has not progressed in accordance with our plans due to delays in receiving appropriate audit working papers across almost all areas of the financial statements. Our audit found a high number of material and other errors; management has agreed to change all material items and many of the others. We are in the process of discussing our cost overruns with management.

(2) The scale fee for certification work as currently published by the Audit Commission is £14,828. However, this excludes an additional scale fee of £12,550 that the Audit Commission has approved for the housing benefits subsidy return. Work on this return is in progress and we will review our costs as the work progresses to determine whether this additional fee will be required.

OTHER RELATIONSHIPS

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

LONG ASSOCIATION THREATS

The Audit Commission's Standing Guidance requires that the audit engagement partner should not act for more than five years and the audit manager for 10 years.

Key audit staff involved	**Years**
Robert Grant - Audit engagement partner	2
Janine Combrinck - Audit Manager	2

INDEPENDENCE DECLARATION AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors.

AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

The audit scope is determined by the Audit Commission's Code of Audit Practice for local government (2010), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. This requires that we form an opinion on whether:

1. The financial statements give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended.
2. The financial statements have been prepared properly in accordance with statutory requirements and proper practices have been observed in their compilation.
3. The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
4. The information given in the statement of accounts and explanatory foreword is consistent with the financial statements.
5. The annual governance statement is not inconsistent with our knowledge and complies with relevant guidance.
6. The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared.
7. The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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FINANCIAL STATEMENTS
Key audit and accounting matters

SIGNIFICANT AND OTHER RISKS OF MATERIAL MISSTATEMENT

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered a significant audit risk, in the 2013/14 Audit Plan issued in March 2014. We have since undertaken a more detailed assessment of risk following our review of the draft financial statements, and we have not included any additional significant risks. We report below our findings of the work designed to address these significant risks, our review of significant accounting estimates and management judgements, and any other relevant audit and accounting issues arising.

Key: ■ Significant risk/issue ■ Significant accounting estimates and management judgements ■ Other relevant audit and accounting

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SIGNIFICANT AUDIT RISK AREAS

RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We are in the process of finalising our audit of the appropriateness of journal entries and other adjustments made in the preparation of the financial statements. We have also reviewed accounting estimates for evidence of possible bias.	No issues have been identified in our review of the appropriateness of journal entries and other adjustments made in the preparation of the financial statements from audit work carried out to date. Our work on accounting estimates has not identified any evidence of bias.
REVENUE RECOGNITION	The largest component of Council income is annual grant funding which is agreed to notification from Government. Council tax and non-domestic rates income are based on precepts and demands on the collection fund. Subsidy income for benefits is calculated based on DWP subsidy calculations and reconciled to underlying benefits paid. Grants and contributions received are reviewed for conditions by finance staff and only recognised as revenue where there are no remaining conditions. Social care income is invoiced to individuals receiving residential or domiciliary care following payments made for their care and is based on assessments of their financial circumstances. Remaining significant revenue streams are invoiced by the transactional services hub upon receipt of 'notification of debt' forms from service departments, and the revenue is recognised at that point.	We substantively tested a sample of income streams to supporting documentation to confirm that income had been accurately recorded and earned in the year. We substantively tested an extended sample of receipts either side of the year end to ensure that income was complete and accounted for in the correct period. Audit procedures have been carried out to review an extensive sample of grants and other contributions to ensure that they have been recognised correctly in the financial statements or deferred where applicable.	No issues have been identified from our testing of income streams and year end cut off with regard to the recognition of revenue in the relevant financial year. However, a number of classification errors have been identified and these are set out in the section on 'Other relevant audit and accounting issues' below.

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
FINANCIAL STATEMENTS PREPARATION	As a result of the weaknesses in the Council's arrangements for preparing the financial statements in the prior year, and the significant number of misstatements identified in the prior year audit, the Council established an accounts closedown project for 2013/14 to manage and oversee the preparation for and delivery of the 2013/14 accounts closedown process. The project plan identified the processes and arrangements that needed to be put in place by the finance team, service areas and third party providers to effectively produce the financial statements for 2013/14, for sign off by the Council's Chief Finance Officer by the beginning of June 2014. *(Continued)*	A number of meetings were held with finance officers in the lead up the accounts closedown to discuss progress with the accounts closedown project and emerging and contentious accounting issues. We carried out a detailed review of the draft financial statements in early July and provided early feedback to the Council. We carried out a high level analytical review of the financial statements against comparatives for 2012/13 and sought explanations from the Council for material variances. In particular, we have carried out a full review of the following areas where there were significant amendments in the prior year: • The Comprehensive Income and Expenditure Statement (CIES) • Cash Flow Statement and supporting notes • Movement in Reserves Statement and the note for adjustments between accounting basis and funding basis under regulations note • Property, plant and equipment note • Financial instruments note • Amounts reported for resource allocation decisions note • Senior officer remuneration bandings note • Leases note	From our initial review of the draft financial statements it was clear that they contained fewer inconsistencies than the draft statements provided to us in the prior year. However, a number of presentational errors and inconsistencies were identified which indicated that there had been insufficient time for a critical review of the draft before it was presented for audit. Our audit of the significant risk areas also highlighted a number of misstatements as set out below.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

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SIGNIFICANT AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
FINANCIAL STATEMENTS PREPARATION	*(Continued)*	Audit of the CIES	**Audit of schools balances** The Council's arrangements for consolidating information from schools into the CIES (and the balance sheet) require improvement. The working papers and journals prepared to support transactions consolidated into the CIES and Balance Sheet were inadequate. We are continuing to review the consolidation of schools transactions into the Council's financial statements. The financial statements will require amendment for this issue (CIES and Balance Sheet) which are likely to be significant (non-trivial). **Consolidation of the Housing Revenue Account (HRA)** ***(Material corrected misstatement)*** Local authority housing expenditure in the CIES was £12.851 million higher than expenditure disclosed in the HRA in the draft financial statements, due to the incorrect consolidation of the HRA into the CIES and other unallocated trial balance codes in the CIES. The error has been corrected in the revised financial statements by reclassifying a number of entries in the CIES and HRA. The reclassifications include a transfer of revenue expenditure funded from capital under statute (REFCUS) incurred on Academy Schools, from local authority housing expenditure to education and children's service's expenditure. **Internal recharges** ***(Material corrected misstatement)*** Our audit testing of income found a number of instances where support costs and overheads that were recharged from one service to another were incorrectly accounted for as income to the service, rather than netting the recharge off against expenditure. As a result, gross income and gross expenditure in the CIES were overstated by £10.882 million, across all services. This included £3.796 million in respect of transactional services hub phase II costs within central services to the public and £1.099 million in respect of insurance trading account transactions included within non distributed costs. These misclassifications have been amended in the revised financial statements, by reducing income and expenditure by £10.882 million. However extrapolation of the misclassifications in expenditure indicates that there could be further potential misclassifications of this nature (our extrapolation indicates £1 million). This has been recorded in the schedule of unadjusted audit differences at Appendix II. **Recharges between Berkshire Councils** Our sample testing of income also found instances where recharges to other Berkshire Councils totalling £383,000 were recorded as income rather than netting the recharge off against expenditure. As the Council is acting in an agency rather than principal role, net accounting should be applied. The financial statements have been amended for this issue.

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS

RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
FINANCIAL STATEMENTS PREPARATION	*(Continued)*	Audit of the CIES (continued)	**Public health** ***(Material corrected misstatement)*** CIPFA's 2013/14 Service Reporting Code of Practice (SERCOP) requires that public health income and expenditure is disclosed as a separate service line in the CIES. The Council had included public health income of £5.305 million and associated expenditure of £5.287 million in Education and children's services. This income and expenditure has been transferred to a separate public health line in the revised financial statements. **Benefit administration subsidy** Our audit found that £902,000 of benefits administration subsidy received from the Department for Works and Pensions had been credited to expenditure across various services in the CIES. As this is true income to the Council, it should be disclosed as gross income. An amendment has been made to the financial statements to recognise the income in other housing services and increase expenditure where it had been incorrectly allocated. **Investment income and expenditure** Rental income and associated expenditure from investment properties was included in the net cost of services in the CIES, rather than in financing and investment income and expenditure as required by the Code. The issue has been corrected in the revised financial statements by reclassifying rental income of £1.495 million and estimated expenditure of £805,000. **Other misclassifications** Our sample testing found a number of other misclassifications between services lines in the CIES, where classifications are not in accordance with the Service Reporting Code of Practice (SERCOP) in the draft financial statements: • cremations income of £1.379 million and expenditure of £801,000 incorrectly classified to the Planning service in the CIES, rather than Environment and regulatory • parks expenditure of £103,000 incorrectly classified to Corporate and democratic core, rather than Environment and regulatory • social care income of £399,000 incorrectly classified to Education and children's services, rather than Adult social care. These have been amended in the revised financial statements. However extrapolation of the misclassifications in expenditure indicates that there could be further potential misclassifications of this nature (our extrapolation indicates £1.5 million). This has been recorded in the schedule of unadjusted audit differences at Appendix II.

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
FINANCIAL STATEMENTS PREPARATION		Audit of Cash Flow Statement and supporting notes	**Cash Flow Statement and supporting notes** ***(Material corrected misstatement)*** The notes supporting the draft Cash Flow Statement contained a number of omissions and inconsistencies with other areas of the financial statements. This includes the omission of disclosures for movements in working capital in the year, capital grants and contributions received in the year, purchase of short term investments and repayment of borrowing. We will complete our audit of the Cash Flow Statement when all required journal amendments arising from the audit have been processed.
		Audit of Movement in Reserves Statement and the note for adjustments between accounting basis and funding basis under regulations	**Movement in reserves statement and supporting note** There were no significant inconsistencies in the Movement in Reserves Statement and supporting note.
		Audit of property, plant and equipment note	**Property, plant and equipment note** Our audit has identified a number of errors in this note. These are set out in the valuation of property, plant and equipment significant risk below.
		Audit of financial instruments note	**Financial instruments note** ***(Material corrected disclosure misstatement)*** Our audit identified errors and omissions in the presentation of this note and amendments are being made to correct a number of disclosures in the note, including removal of amounts from debtors and creditors that do not meet the definition of financial assets or liabilities (such as prepayments, income in advance and balances in respect pf council tax, housing benefits, business rates, PAYE, social security and VAT).
	(Continued)	Audit of note for amounts reported for resource allocation decisions	**Amounts reported for resource allocation decisions note** ***(Material corrected disclosure misstatement)*** Our audit found that the draft financial statements did not agree to the directorate analysis, total income and expenditure did not agree to the CIES, and there were several other inconsistencies with other parts of the financial statements. Amendments are being made to the financial statements to correct these issues.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
FINANCIAL STATEMENTS PREPARATION		Audit of senior officer remuneration bandings note	**Senior officer remuneration bandings note** ***(Material corrected disclosure misstatement)*** We found that the draft note had incorrectly included non-taxable expense payments and excluded officers earning over £50,000 who are employed in schools. As a result, amendments have been made to the note, which has resulted in a net increase of fourteen employees disclosed in the note.
		Audit of leases note	**Leases note** ***(Material corrected disclosure misstatement)*** Disclosures for minimum lease rentals for operating leases where the Council acts as lessee were omitted from the draft note. This has been corrected in the revised financial statements.
VALUATION OF PROPERTY, PLANT AND EQUIPMENT	Following the amendments to the 2013/14 Code which state that property, plant and equipment should be revalued with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period, the Council obtained a full valuation of its council dwellings at 1 April 2013. The Council has also obtained a supplementary report to confirm there were no material changes at year end. *(Continued)*	We reviewed the evidence provided by management to support the fair value of its property, plant and equipment at year end and reviewed the accuracy of revaluation adjustments.	**Valuation of council dwellings** ***(Material corrected misstatement)*** The Council correctly accounted for revaluations as at 1 April 2013. The year-end desktop valuation by the valuer indicated that housing prices increased by 4% in the year. However, the Council did not account for this increase as the valuer concluded that it was not material. At our request the Council has applied the 4% index to the opening value of its council dwellings and accounted for a £17.861 million increase in the carrying value of its council dwellings, with an associated increase in the revaluation reserve of £12.805 million, £5.056 million credit to local authority housing expenditure (and consequent increase in capital adjustment account by £5.056 million through the Movement in Reserves Statement). We are in the process of auditing this adjustment. **Valuation of other land and buildings** The Council has continued with its rolling programme of revaluations on other land and buildings. Whilst we are satisfied that there is no material misstatements as a result of average movements in property prices since assets were last revalued, we have carried forward our prior year recommendation that management retains sufficient and appropriate justification for the valuation of land and buildings not formally revalued in the year. **Valuation of vehicles, plant and equipment (VPE)** VPE are reasonably short-life assets and the depreciated carrying value is assumed to be a reasonable proxy for their fair value. We are satisfied that the useful economic lives allocated to classes of equipment assets are reasonable.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

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SIGNIFICANT AUDIT RISK AREAS			
RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
VALUATION OF PROPERTY, PLANT AND EQUIPMENT	*(Continued)*	To understand the reason for some of valuation movements, we reviewed the basis of valuations provided by the valuer in the prior and current year.	**Depreciated replacement cost (DRC) valuations** The Code specifies the use of an instant build approach for valuing specialised assets on a DRC basis and the CIPFA Property Handbook (2012) explains that this method means that finance costs relating to site acquisition and building construction should be excluded from the valuation. During the audit it was noted that prior year DRC valuations by the valuer were not carried out on an 'instant build' approach and therefore incorrectly included finance charges, although current year valuations were completed correctly. Revised valuations on an instant build approach were requested from the valuer for all assets revalued in 2012/13 and 2011/12 and this indicated that that other land and building were overstated by £1.651 million at 31 March 2013. In addition, for DRC valuations that were carried out at 1 April 2013, the Council has estimated that other land and buildings were overstated by a further £1.003 million at 31 March 2013. The total understatement of property, plant and equipment and associated reserves (revaluation reserve and capital adjustment account) of £2.654 million at 31 March 2013 is not material and therefore no prior period adjustment is required to restate the 2012/13 comparatives in the current year financial statements. In 2013/14 the increase in revaluation gains for 2013/14 DRC valuations is understated by £1.003 million as a result of the overstated opening balance. The closing balance on property plant and equipment at 31 March 2014 was overstated by £1.651 million. However, to partly address this issue, during the audit the Council obtained DRC instant build valuations at 31 March 2014 for four of the most significant DRC assets that were revalued in 2012/13 or 2011/12 at £1.149 million. The financial statements have been amended for these revaluations, which resulted in increases in property, plant and equipment of £3.227 million, revaluation reserve of £2.569 million and impairment reversals of £658,000 (and consequently an increase in the capital adjustment account of £658,000). At 31 March 2014 the remaining misstatement as a result of incorrect DRC valuations is a £502,000 overstatement of property plant and equipment, £398,000 overstatement of reserves and £104,000 understatement of loss on disposal of non-current assets (and consequently £104,000 overstatement of the capital adjustment account). This has been recorded as an uncorrected misstatement in Appendix II.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS			
RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
VALUATION OF PROPERTY, PLANT AND EQUIPMENT		We reviewed whether depreciation has been adequately calculated on a componentisation basis.	**Componentisation of land and buildings** We have noted that for council dwellings revalued during the year, no componentisation was applied because the difference in annual depreciation would be immaterial to the accounts. Finance officers have now calculated that depreciation would be £852,000 higher using a different weighted remaining useful life for flats and houses. Whilst this difference is not material in the current year, it will be material over time. We have recorded an unadjusted misstatement in Appendix II.
		We reviewed whether there is sufficient evidence of a formal review of the useful economic lives.	**Useful economic lives** Management has stated that it has undertaken an informal review of useful lives, depreciation methods and residual values and that the existing assumptions remain appropriate. However, the evidence retained by management to support their review is limited and we have carried forward our prior year recommendation (Appendix IV) that management more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets.
	(Continued)	We reviewed whether fully depreciated assets in the fixed assets register are either removed because they are no longer held by the Council or revalued where they are still in use.	**Fully depreciated assets** In the draft financial statements the Council has correctly derecognised fully depreciated vehicles, plant and equipment that are no longer in use.

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FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
VALUATION OF PROPERTY, PLANT AND EQUIPMENT		We audited disposals and checked that assets no longer held by the Council have been appropriately derecognised from the accounts.	**Derecognition of demolished assets** ***(Material corrected misstatement)*** Our testing of disposals of non-current assets found that they included £6.193 million for two buildings that were demolished prior to 1 April 2012 but only removed from property, plant and equipment in the current year. As the misstatement is material, the financial statements have been restated by way of a prior period adjustment to derecognise the assets and associated reserve balances from the accounts at 1 April 2012.
		We reviewed the adjustment processed for capital expenditure on council dwellings.	**Derecognition of capitalised expenditure on council dwellings** The Council incurred expenditure of £8.166 million on the refurbishment of its housing stock in the year. This amount had been derecognised from property, plant and equipment as a proxy for the deemed carrying amount of the replaced components. This treatment is acceptable under the Code, however the Code Guidance notes for practitioners 2013/14 states that this amount should be adjusted for any depreciation and impairment. Whilst we are satisfied that the accounts are not materially misstated as a result of the Council's approach in this area, we have raised a recommendation in Appendix IV that accounts closedown procedures should include a process to calculate a reasonable carrying value for replaced components of council dwellings rather than derecognising the components at the same value as the capital expenditure incurred.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS		
RISK	**WORK PERFORMED**	**CONCLUSION**
VALUATION OF PROPERTY, PLANT AND EQUIPMENT	We have reviewed management's use of indices for the movement in the market value of council dwellings.	We are satisfied that the valuer is sufficiently independent of the Council, objective and experienced in undertaking this work. The year-end review includes a report on the movement in the average market prices of housing in the area. This indicates an increase of 4% in the market value of houses. We are satisfied this is in line with regional movements. As a result of the audit the Council has now applied the index notified by its valuers for the movement in the market price of houses since the last formal valuation of council dwellings on 1 April 2013.
PENSION LIABILITY	The Audit Commission has obtained an independent review of all local government pension scheme actuaries, which includes an assessment of their independence, objectivity and experience, and also the reasonableness of the assumptions used in the calculation of the scheme liabilities. We have reviewed this and checked that the assumptions used for the Council's scheme liabilities are within reasonable levels. We have also sought assurances from the auditor of the pension fund over the information on membership data and scheme assets provided to the actuary.	The net pension liability of the Council comprises its share of the market value of assets held in the Royal County of Berkshire Pension Fund, administered by the Royal Borough of Windsor and Maidenhead Borough Council, and the estimated future liability to pay pensions for its current, deferred and retired members of the pension scheme. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements. We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with its knowledge of the business of the Council. We are satisfied that the actuary is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggests that these are generally not significantly different from those being applied by the actuaries of other local authorities. There are adequate controls over the submission of data from the pension fund to the actuary.

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	**WORK PERFORMED**	**CONCLUSION**
COLLECTION FUND BALANCES	We reviewed Collection Fund balances to check that they correctly reflect movements in balances in the year and are appropriately presented in the financial statements.	Our audit of Collection Fund balances in the Balance Sheet found a number of mispostings between debtors and creditors. These have been corrected in the revised financial statements, by reducing debtors and creditors by £3.239 million.
SCHOOLS BALANCES	We reviewed schools balances to check that they correctly reflect movements in balances in the year and are appropriately presented in the financial statements.	In the prior year we reported that there were differences between estimated schools balances in the ledger and returns from schools. In correcting these brought forward balances this year, and in removing balances for schools that have become academies in the year, a number of misclassifications between debtors and creditors arose. These have been corrected in the revised financial statements by decreasing debtors by £4.038 million, creditors by £2.811 million, cash by £218,000 and schools reserves by £1.445 million. There are nine schools under the Council's control that do not process their transactions directly through the Council's general ledger ('non Oracle schools'). They provide the Council with quarterly returns and the Council processes these transactions to the general ledger by way of journal entries. Our audit found that the Council had incorrectly processed all Balance Sheet movements to income and expenditure. This has been corrected in the revised financial statements by charging a net amount of £188,000 to the CIES and schools reserves and reducing cash by £240,000, creditors by £89,000 and debtors by £37,000. Our audit work on 'Oracle' schools balances and transactions is still in progress.
DEBTORS	We have audited a sample of debtor balances to supporting documentation to confirm existence and recoverability.	There is balance of £940,000 within debtors which has not been satisfactorily justified and does not appear to be a valid recoverable debtor. This is recorded as an unadjusted audit difference in Appendix II.
PRIOR PERIOD ADJUSTMENTS	We have reviewed the prior period adjustments processed by the Council. *(Continued)*	**IAS 19 Employee benefits** Following the amendments to IAS 19 the Council has correctly restated its defined benefits pension schemes note. However, the restatements to the 2012/13 comparatives for net cost of services, financing and investment income and expenditure and other comprehensive income and expenditure in the current year's CIES did not agree to the supporting note. This is being corrected in the revised financial statements.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	**WORK PERFORMED**	**CONCLUSION**
PRIOR PERIOD ADJUSTMENTS		**Property, plant and equipment** The draft financial statements included a prior period adjustment of £633,000 for the land element of council dwellings that was erroneously removed from property, plant and equipment when the buildings were demolished in the prior year. However, the misstatement was not material and therefore should not have been accounted for as a prior period adjustment. Amendments are being made to the draft financial statements to correct this issue in the current year. **Prior period adjustments note** As a result of the audit, a prior period adjustment note has been included in the revised financial statements to disclose the impact of the IAS 19 restatement and the restatement of property, plant and equipment and associated reserve balances as a result of buildings demolished in the prior year (this issue has been reported in the significant audit risk areas section above).
INVESTMENT PROPERTIES	We reviewed the breakdown of assets comprising investment properties and made enquiries of officers to assess whether the properties continue to meet the definition for classification as investment properties.	**Transfer to investment properties** The draft financial statements included a £349,000 transfer from property, plant and equipment to investment properties by the valuer. As the asset does not meet the definition of an investment property, it has been transferred back to property, plant and equipment in the revised financial statements. **Disposals of investment properties** During the audit finance officers informed us that investment properties included aerials with a carrying value of £249,000 that relate to flats that were demolished and removed from the fixed asset register in prior years. The aerials were not relocated elsewhere on council property and are no longer held by the Council. The Council has derecognised this asset from its investment property in the revised financial statements and increased expenditure on investment properties, with a consequent decrease in the capital adjustment account through the Movement in Reserves Statement.
NON-DOMESTIC RATES INCOME	We reviewed the calculation of non-domestic rates income in the CIES and compared to the value of the precept in the Collection Fund.	The Council's share of the Collection Fund deficit for non-domestic rates collection in the year was incorrectly presented in the draft financial statements. Amendments have been made in the revised financial statements to decrease the Council's non-domestic rates income and increase its revenue support grant by £274,000, and to correctly present the impact of this in the collection fund adjustment account.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	**WORK PERFORMED**	**CONCLUSION**
2012/13 COMPARATIVES	We compared the 2012/13 comparatives in the draft financial statements to the prior year audited financial statements.	Our review of the draft financial statements found that a number of the 2012/13 comparative figures had been incorrectly carried forward from the prior year's final audited financial statements (excluding the effects of prior period adjustments). Amendments that have been made in the revised financial statements to address this issue include amendments to: • income and expenditure across all services on the face of the CIES • the split of financing and investment income and expenditure in the CIES • net off bank overdraft from cash and cash equivalents in the Balance Sheet • separately disclose pension liability and other long term liabilities in the Balance Sheet • the Cash Flow Statement and supporting notes • the property, plant and equipment note • the financial instruments note • the amounts reported for resource allocation decisions note.
SEPECIAL EDUCATION NEEDS CREDITOR ACCRUAL	We reviewed the Council's calculation for the accrual and assessed the reasonableness of the estimate by reference to actual payments made.	Our testing of the accrual found that the Council had omitted to accrue for £99,000 in respect of independent schools. This is recorded as an unadjusted audit difference in Appendix II.
ACCOUNTS DISCLOSURES	We reviewed material accounting disclosures to confirm that they are correctly stated and in compliance with the requirements of the Code.	The following presentational and disclosure amendments are being made to the draft financial statements, in addition to issues reported above: • removal of irrelevant disclosures with 'nil' values • disclosure of accounting standards issued but not yet adopted, including the fact that under IFRS 10 Consolidated financial statements the Council will need to consolidate into its single entity financial statements all maintained schools • disclosure regarding the proposed transfer of certain children's services out of the Council's control in the Events after the Balance Sheet date note and a contingent liability for the potential additional costs of the transfer

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	**WORK PERFORMED**	**CONCLUSION**
ACCOUNTS DISCLOSURES		• disclosure of movements on all significant earmarked reserves **(Material corrected disclosure misstatement)** • disclosure of movements on PFI assets in the year in the property, plant and equipment note • inclusion of useful economic lives in intangible assets note • reclassification of £390,000 debtors from 'other entities and individuals' to 'other local authorities' (£134,000) and 'NHS bodies' (£255,000) in the debtors note • separate disclosure of bank overdraft in the cash and cash equivalents note • changes to the presentation of the creditors note to disclose the categories of creditors as required by the Code • decrease grants received in advance and increase creditors by £269,000 for movements in grants received in advance that were incorrectly classified to creditors • inclusion of the Berkshire Community Equipment Service in the pooled budget note • a number of amendments to the exit packages note, to increase in the disclosed cost of redundancies by £163,000 • correction of the value disclosed for payments to Teachers' Pensions in the year, from £2.68 million to £3.497 million • amendments to the HRA notes to correctly disclose depreciation and impairment reversals and HRA capital expenditure, and to include disclosures for pooling of capital receipts and debtor impairment allowance **(Material corrected disclosure misstatement)** • disclosure of the vacant possession value of dwellings as at 1 April 2013 **(Material corrected disclosure misstatement)** • correction to the non-domestic rateable values disclosed in the Collection Fund notes as they did not agree to the national non domestic rates systems or the Valuation Officer listing; 31 March 2014 figure amended from £89.008 million to £219.866 million and 31 March 2013 figure amended from £89.855 million to £223.656 million. **(Material corrected disclosure misstatement)**

FINANCIAL STATEMENTS OPINION

Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014.

CONTROL ENVIRONMENT
Significant deficiencies and other observations

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control. We only restate weaknesses already reported by internal audit where we consider these to be significant deficiencies.

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
WORKING PAPERS	Whilst there has been improvement in the quality of the Council's working papers since the prior year, there remains significant scope for improvement. A detailed file of electronic working papers was provided to us on 7 July 2014, in accordance with the agreed timetable. However, our review of these working papers found a significant number of gaps and variable quality. Our comparison to the detailed schedule of working papers provided to the Council indicated that (in our view) only a third of the working papers were in sufficient detail to allow an effective starting point for the audit of those balances.	Inadequate working papers to support the financial statements may result in material misstatements within the financial statements occurring or being undetected. It also results in audit delays and potentially additional audit fees.	Management should carry out a critical review of the outcomes of the 2013/14 audit to identify the areas where further improvements need to be made in closing down the accounts and producing effective working papers.
PROPERTY VALUATIONS	There remains scope for improvement in the Council's evidence supporting the carrying value of properties that have not been revalued in the year.	Insufficient management review in this area could result in material misstatements in property, plant and equipment.	Management should more fully document its thought process and evidence to support the representation that the carrying values of non-current assets that have not been formally revalued in the year remain materially accurate as fair value at year end.
USEFUL ECONOMIC LIVES	There remains scope for improvement in the evidence supporting management's annual review of useful lives, depreciation methods and residual values of all classes of assets.	Insufficient management review in this area could result in material misstatements in property, plant and equipment.	Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets, particularly where assets have not been formally revalued.

CONTROL ENVIRONMENT
Significant deficiencies and other observations (continued)

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
SPECIAL EDUCATION NEEDS ACCRUAL	There were a number of issues regarding the working papers provided to support the year end SEN accrual. In addition these do not clearly show how the prior year accrual compared to the actual payments made post year end and therefore the extent of any under/over accrual from the prior year impacting on the current year.	Inadequate working papers in this area could result in a misstatement in the year end SEN creditor accrual.	Management should carry out a critical review of the working papers produced to support the year end SEN accrual to ensure that they fully evidence all assumptions made and any impact from prior year under/over accruals.
FIXED ASSET REGISTER	Internal Audit's conclusion on the asset register in 2013/14 is rated 'amber' as the majority of its previously stated recommendations in this area have not been fully implemented.	Inadequate controls over the fixed asset register could result in material misstatements in property, plant and equipment.	Management should ensure that Internal Audit's recommendations on the asset register review in 2013/14 are fully implemented in accordance with agreed timelines.
PURCHASE ORDERS	Throughout 2013/14 a number of purchase requisitions have continued to be raised retrospectively (16 out of 25 tested by Internal Audit), although management anticipates that the Council's new 'No Purchase Order, No Pay' Policy from 1 April 2014 will improve this position.	Whilst no payments can be made until invoices are appropriately authorised, good practice indicates that purchase requisitions should be appropriately approved before ordering and receiving goods and services. Failure to do so could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.	Management should continue to monitor compliance with its new 'No Purchase Order, No Pay' policy, as failure to comply with this policy could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.

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CONTROL ENVIRONMENT
Significant deficiencies and other observations (continued)

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
CAPITAL EXPENDITURE ON COUNCIL DWELLINGS	The Council incurred expenditure of £8.166 million on the refurbishment of its housing stock in the year. This amount had been derecognised from property, plant and equipment as a proxy for the deemed carrying amount of the replaced components. This treatment is acceptable under the Code, however the *Code Guidance notes for practitioners 2013/14* states that this amount should be adjusted for any depreciation and impairment.	Cumulatively over time property, plant and equipment will be misstated if this issue is not addressed.	The Council's closedown procedures should include a process to calculate a reasonable carrying value for replaced components of council dwellings, which takes account of any accumulated depreciation and impairment, rather than derecognising the components at the same value as the capital expenditure incurred.
EMPLOYMENT TAXES	As part of our risk assessment procedures for the audit, our employment taxes specialist has carried out a review of the Council's arrangements in respect of employment taxes and raised a number of recommendations for improvement.	The Council's records may not fully meet HMRC requirements.	Management should monitor the implementation of the recommendations raised by BDO's employment taxes specialist.

We made the observations reported to you above during the course of our normal audit work. Management responses to our recommendations are included in appendix IV.

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GOVERNANCE REPORTING

Governance matters and quality of reporting

FINANCIAL STATEMENTS PREPARATION	CONCLUSIONS AND AUDIT ISSUES
The draft financial statements, within the statement of accounts, was prepared and provided to us for audit on 30 June 2014. As part of our planning for the audit, we prepared a detailed schedule of working papers and a database of template working papers for the audit trails we expected to receive with the draft financial statements. A number of meetings were also held with finance officers in the lead up the accounts closedown to discuss working paper requirements.	A detailed file of electronic working papers was provided to us on 7 July 2014, in accordance with the agreed timetable. However, our review of these working papers found a number of gaps and quality issues. Comparison to the detailed schedule of working papers provided to the Council found that only a third of the working papers were in sufficient detail to allow an effective starting point for the audit of those sections. We have raised a recommendation in the action plan at Appendix IV regarding working papers.

ANNUAL GOVERNANCE STATEMENT	CONCLUSIONS AND AUDIT ISSUES
We are required to review the draft annual governance statement and to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	We are satisfied that the annual governance statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE).

STATEMENT OF ACCOUNTS	CONCLUSIONS AND AUDIT ISSUES
We are required to read all the financial and non-financial information in the explanatory foreword to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	Our review of the explanatory foreword found a significant number of typographical errors which the Council corrected. Subject to amendments to the reported surplus on the Collection Fund and table of key reserves, we are satisfied that the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

WHOLE OF GOVERNMENT ACCOUNTS
Consistency of the Data Collection Tool

SCOPE OF THE REVIEW OF THE DATA COLLECTION TOOL

We are required to perform tests with regard to the WGA return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.

This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

CONCLUSION AND AUDIT ISSUES

We have not yet received the Council’s revised WGA return. The findings from our review of the consistency of this return with the audited financial statements will be circulated to Members of the Audit and Risk Committee when complete.

ASSURANCE STATEMENT

Subject to completion of our review, we do not expect to report any issues.

USE OF RESOURCES
Scope of the review

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

AUDIT COMMISSION SPECIFIED CRITERIA	FOCUS OF REVIEW
Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance to auditors. This is based on the following two reporting criteria: • The organisation has proper arrangements in place for securing financial resilience. The focus of the criteria is that the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus of the criteria is that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. We draw sources of assurance relating to their value for money responsibilities from: • the Council's system of internal control as reported on in its annual governance statement • the results of the work of the Commission, other inspectorates and review agencies • any work mandated by the Commission • any other locally determined risk-based value for money work that auditors consider necessary to discharge their responsibilities.	We have reviewed the Council's arrangements against risk indicators and key issues facing the sector including the Government's spending review, funding over the medium term, risks arising from welfare reform, and risks from the localisation of business rates. In our audit plan we reported the follow significant risks to the Council: • achieving the efficiency savings plans published in the Medium Term Financial Strategy, including the savings planned from the transactional services hub • addressing serious weaknesses identified in services for children in need of help and protection, children looked after and care leavers identified by the external regulator (Ofsted) following an unannounced inspection in November 2013 • addressing the weaknesses identified by Internal Audit in contract management • achieving the objectives set for the Slough Wellbeing Board and delivery of public health responsibilities.

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USE OF RESOURCES
Financial resilience

The financial resilience criterion has three aspects: financial governance, financial planning and financial control.

FINANCIAL GOVERNANCE	AUDIT ISSUES AND IMPACT ON CONCLUSION
The Council's financial governance arrangements provide clear leadership on financial matters through the work of the Cabinet and the Corporate Management Team. The Council's financial performance and associated financial risks are consistently understood across the organisation with financial management information regularly reported to the Cabinet and the Overview and Scrutiny Committee. Amongst officers, financial responsibilities are clearly assigned and the Corporate Management Team oversees the corporate response to expenditure pressures, other financial risks emerging in the year and the overall achievement of the annual budget. Financial training courses are provided to employees managing budgets and Members are also periodically invited to attend financial presentations. The outcome of our audit of the 2013/14 financial statements is summarised earlier in this report and contains recommendations which the Council has accepted to further improve arrangements for preparing the annual financial statements and to embed these effectively.	Action is needed to further strengthen arrangements for preparing the annual financial statements and to embed these effectively.

FINANCIAL PLANNING	AUDIT ISSUES AND IMPACT ON CONCLUSION
Financial Planning is embedded across the organisation through the annual budget setting process. The process is set out within the Medium Term Financial Strategy (MTFS), which provides an overview of the key stages and the associated timeframe and defines the framework and financial envelope within which the budget is set. The MTFS also defines the roles and responsibilities of the internal and external forums involved in the consultation on, and the approval of the budget at key stages. As part of this process, officers are required to develop savings proposals, which are presented to the Corporate Management Team (CMT) and then Members, where achievability is challenged. The MTFS covers a five year period and is updated annually for approval by the Council in February each year. Reports on progress made in updating the MTFS are presented to Cabinet periodically throughout the year. The MTFS for 2013 – 2018 (which includes the 2013/14 budget), as approved by Cabinet in February 2013, identified a savings target of £16.3 million for the five year period, of which £9.4 million related to 2013/14, and a budget gap of £7.4 million which requires further savings to be identified over the period. From April to July 2013 a number of key aspects contained within the original assumptions were clarified as a result of the Local Government Finance Settlement, or were altered as a result of the Comprehensive Spending Review, and amendments were made to the 2013/14 budget and MTFS. The Council also carried out an exercise to rebase its MTFS assumptions. The Council set a balanced budget for 2014/15 in February 2014. The savings target is £12.5m and specific schemes have been identified for the full savings requirement, although there is some risk attached to £6 million of these schemes and work is in progress to ensure that all required savings are delivered. The most recent MTFS 2015 – 2019 (which covers the four years from 2015/16) indicates a savings requirement of £37 million for the four year period from 2015/16, of which £14.6 million is planned to be achieved in 2015/16. Management has identified specific schemes totalling £9 million, although we are informed that further schemes are being identified. Savings plans include significant transformational changes within the Wellbeing directorate and contracts renegotiation. The Council has invested in its financial management resource and contract monitoring / procurement resource in 2013/14 and the full benefits of this are expected to materialise in 2014/15.	Resource gaps have been identified for the period 2015/16 to 2017/18, where savings plans have not yet been identified. Ensuring financial balance over the medium term planning horizon will continue to require strong leadership and action by the Council.

USE OF RESOURCES
Financial resilience (continued)

FINANCIAL PLANNING (CONTINUED)	AUDIT ISSUES AND IMPACT ON CONCLUSION
Internal Audit's conclusion on the 2013/14 budget setting process was rated 'amber' (meaning that some assurance was provided however further action required by the Council to manage risks). Action was taken to address the issues raised by Internal Audit, including substantial changes to the savings proforma to fully explain the consequences of the proposed saving, and updating the MTFS to reflect the expected cost position with regards to the transactional services hub. These improvements are reflected in Internal Audit's conclusion on the 2014/15 budget setting process, which is rated 'green'. The Council has undertaken a number of benchmarking exercises to compare costs and value for money with other unitary councils, for all key services. The Audit Commission's value for money tool indicates that the Council has areas of higher and lower comparative costs across some of its service areas. However, the reasons are well understood within the Council and the higher relative costs arise because of the Council's decision to invest in the services in line with its policies and priorities, and the benchmarking will also be utilised to help inform where further savings can be achieved going forward through the MTFS.	

FINANCIAL CONTROL	AUDIT ISSUES AND IMPACT ON CONCLUSION
Internal Audit's review of budgetary control and savings plan monitoring for 2013/14 found that controls in this area are generally suitably designed, consistently applied and effective. Recommendations for improvement in procedures for the authorisation of budget virements and the formal monitoring of savings were reported. Budget reports are considered monthly by Directorate Management Teams and this is supported by an established budget monitoring process by managers and finance staff. The Corporate Management Team receives monthly reports setting out key issues, risk areas and progress to resolve issues and quarterly reports providing a full analysis of Directorate performance. Overall the Council achieved its budget plans for the year and contributed £150,000 net underspends to a future budget reserve. There was a forecast overspend of £1 million at the beginning of the year but this was managed down throughout the financial year. A significant overspend was reported by the Children and Families Division of the Wellbeing Directorate due to increasing demand for services and the higher cost for agency staff. This was offset by the Directorate mostly by planned underspends and early achievement of efficiency programmes in Adult Social Care, with some Education (non-schools) contribution. The Council achieved £7.4 million of its £9.3 million savings target for the year. This savings achieved comprise savings to the general fund and reductions in capital costs. The shortfall was largely due to expected savings from the outsourced transactional service not being fully delivered in the year, as additional investment in the service was required. The general fund balance as at 31 March 2014 is £8.1 million, which is in line with the previous year and at the Council's minimum approved level. Earmarked reserves have decreased by £6.5 million as planned. Overall usable reserves have increased by £13.5 million, however this includes a £12.3 million increase in the capital receipts reserve. The ratio of usable reserves to gross revenue expenditure for the Council in 2012/13 is comparable with the Council's nearest statistical neighbours.	No areas of significant concern.

USE OF RESOURCES

Challenging economy, efficiency and effectiveness

The economy, efficiency and effectiveness criterion has two aspects: prioritising resources and improving efficiency and productivity.

PRIORITISING RESOURCES	AUDIT ISSUES AND IMPACT ON CONCLUSION
Arrangements for the protection of children, looked after children and Care Leavers and the effectiveness of the Local Safeguarding Children's Board In 2011, Ofsted judged Slough's services for safeguarding and looked after children to be inadequate. The Council prioritised improvement in such services and established an Improvement Board to oversee the action necessary to achieve this. The 'Safeguarding Improvement Plan' was identified as a Council 'gold project' for close scrutiny and Members received regular received on progress throughout 2012 and 2013. In December 2013 Ofsted completed a review of services for children in need of help and protection, children looked after and Care Leavers. While recognising improvement had been made in specific areas, Ofsted also concluded that insufficient progress had been made since 2011 and judged the services it reviewed were inadequate overall. Ofsted's public report stated 'there are widespread and serious failures that create or leave children being harmed or at risk of harm and serious failures and unnecessary delay in identifying permanent solutions for looked after children which result in their welfare not being safeguarded and promoted'. Ofsted also concluded arrangements for securing the effectiveness of the Local Safeguarding Children Board were inadequate (by Ofsted's definitions) and that the Board could not demonstrate the required skills to discharge its statutory duties. Positively, Ofsted concluded • the LSCB made clear improvements in the last year from a low starting point, particularly in the scope of its scrutiny and analysis activities and is well placed to drive improvements • accountabilities between the Independent Chair of the LSCB, Slough's Department for Children's Services and the Council's Chief Executive are clearly defined. • partnership working was becoming more effective in some areas, increasing the impact of the LSCB's challenge to partner agencies. Ofsted identified this as the most important area for the LSCB to develop. In discussion with the Department for Education (DfE) the Council agreed the work of the Improvement Board should cease as at 31 March 2014 in the expectation that the Secretary of State would exercise powers available to him to direct how Children's Social Care services should be delivered in Slough in the future. Since March 2014, the Council has continued to deliver planned investment and improvement projects under the leadership of the Director of Children's Services and the Senior Management Team with the aim of securing better outcomes for children in need of protection and for looked after children and Care Leavers. More widely, the Council has taken action to build capacity in the Children's Social Care Services department with the establishment of a stable senior management team and investment in a new workforce strategy for the service, implemented from January 2014	Our VFM conclusion will be qualified.

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USE OF RESOURCES

Challenging economy, efficiency and effectiveness (continued)

PRIORITISING RESOURCES	AUDIT ISSUES AND IMPACT ON CONCLUSION
In June 2014 an independent research company published a report into Slough's Children's Social Care Services as requested by the Department for Education. The Parliamentary Under Secretary for the government department considered the report and wrote to the Council on 15 July 2014 confirming that that he (the Minister) is minded to remove Children's Social Care Services from the Council's control. An independent trust for the provision of Slough Borough Council's Children's Social Care Services is being considered by the DfE under section 497A (4A) of the Education Act 1996. As at 30 September 2014, the Council is continuing to work with the DfE to determine a model with the legal structures and governance arrangements to deliver children's social care services in the future. The Council anticipates this process will continue throughout the 2014/15 financial year and in the meantime, it has decided to establish a new internal improvement board which will take effect from, mid September. The Council has reported some positive outcomes from the additional investment it has made in children's social care services over the last 12 months: • the number of cases (children) managed by individual social workers is reducing (from over 30 children in 2013 to an average which is the target of 18 children per social worker in 2014) • the workforce strategy has resulted in the employment of more social workers and qualified managers. There is an improving balance between permanent and temporary staff and the ratio is 42%:58% (the Council recognises more work is needed to continue the trend and has agreed 'next steps' accordingly) • an 'Early Help Board' has been established to oversee the access to services and assessment of needs for children who may require early intervention and prevention. The Council, with partners, is working to support more children and families through early help and correspondingly reduce the number and the rate of children requiring social care intervention or subject to a protection plan which while reducing, remains high • performance has improved against a range of performance indicators. For example as at July 2014, 98% of children subject to a protection plan had received a visit within each two week period, against a national benchmark of a visit every six weeks. The Council believes the 'Effectiveness of Practice' audits also show improvement in the quality of social worker practice • a Service Transformation Board has been established designed to drive improvement in services for looked after children and to take forward the positive outcomes the Council is reporting for its adoption services. While recognising some recent, positive outcomes have been reported by the Council in Children's Social Care Services, because of the significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, the outcome of the inspection in 2013 and the decision of the Department for Education to consider a transfer of Children's Social Care Services out of the Council's control, we have qualified our value for money conclusion. We have also had regard to the inadequate judgement published by Ofsted about the effectiveness of the Local Safeguarding Children's Board in reaching our conclusion.	

USE OF RESOURCES

Challenging economy, efficiency and effectiveness (continued)

PRIORITISING RESOURCES	AUDIT ISSUES AND IMPACT ON CONCLUSION
Slough Wellbeing Board The Slough Wellbeing Board ('the Board') was established with full statutory powers on 1 April 2013 with relevant partners in accordance with the Government's timetable. The implementation of the Board's objectives is being taken forward through six Priority Delivery Groups (PDGs) and various sub-groups, which includes a Health PDG. The Board agreed a performance monitoring scorecard, based on a suite of key performance indicators selected by the Board for each priority area. This scorecard will be updated with the Board's priorities and the aim is for reporting by exception to be presented quarterly to the Board going forward. During 2013/14 internal monitoring of performance indicators was carried out. A number of value-added projects are in place through the work of the Board, including place-shaping partnership work to improve access to a range of wellbeing services in two areas with high need. In March 2014 the Board received a report on the progress being made under the 'Healthy Lives, Healthy People, Healthy Slough Strategy' for 2013-16 and this reported that significant progress had been made in the first year of the Strategy. Particular achievements were made in respect of prevention, early intervention and targeted intervention, for example the number of GP practices offering health checks had doubled from 5 to 10 over the last year. The Board has received reports on the provisions of the new Care Act (2014), which will come into force on 1 April 2015, and the funding that will be available to support the reforms through the Better Care Fund. A Care Act implementation programme board has been established with key workstreams and owners to deliver each aspect of the Act. The programme will report into the Council's Wellbeing Senior Management Team with progress reports to the Corporate Management Team, Health Scrutiny, Cabinet and the Wellbeing Board as required.	No areas of concern.

USE OF RESOURCES

Challenging economy, efficiency and effectiveness (continued)

IMPROVING EFFICIENCY AND PRODUCTIVITY	AUDIT ISSUES AND IMPACT ON CONCLUSION
Contract management Internal Audit's review of contract management in the prior year concluded there was no contract management framework in place, the contracts register was not fully completed and performance information from suppliers was not always sufficient to enable management to determine whether value for money was being achieved. Since then the Council has invested in senior resource to carry out a review of its major contracts, recognising the need to improve the management of major contracts to drive cashable efficiency savings. The review, which commenced in 2013/14 and is ongoing, involved a programme of meetings and training sessions with contract managers and benchmarking exercises. At the same time a restructuring has taken place and a new Contracts, Commissioning and Procurement Division was consulted upon in June 2014. This is supported by a Task and Finish Group that will consider alternative delivery models for the Council's contracts going forward. Whilst Internal Audit's review of specific contracts in 2013/14 has resulted in a number of high priority recommendations which the Council is working to address, its overall procurement review conclusion issued in May 2014 was rated 'amber/green'. This improved rating reflects the progress that had been made since the last 'red rated' review, as a result of the implementation and roll-out of In-Tend software system (implemented in February 2014) and improvements to the Procurement Review Board governance.	No areas of concern.

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USE OF RESOURCES CONCLUSION

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in most respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014, with the exception of the arrangements for the protection of children, looked after children and Care Leavers and securing the effectiveness of the Local Safeguarding Children Board.

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Slough Borough Council
Management	The person(s) responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: • the financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) • putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
Those charged with governance	The person(s) with responsibility for assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. This includes overseeing the financial reporting process. Those charged with governance for the Council are the Audit and Risk Committee.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
Code	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Risk Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

Management has made corrections to the draft financial statements in respect of the following material misstatements:

- Indexation of council dwellings (£17.861 million, this entry is still being audited)
- Consolidation of the HRA into the CIES (£12.851 million)
- Internal recharges (£10.882 million)
- Prior year adjustment for two buildings demolished in prior years (£6.193 million)
- Reclassification of public health income and expenditure (£5.305 million and £5.287 million respectively)
- Cash Flow Statement
- Financial instruments note
- Amounts reported for resource allocation decisions note
- Senior officers' remuneration bandings note
- Leases note

These amendments, together with the other non-material amendments that have been processed, have reduced the deficit for the year by £10.331 million, from £13.334 million to £3.003 million. However, these corrections relate either to reclassifications of transactions or balances, or capital items which are subsequently reversed through reserves, therefore there is no impact on the closing general fund balance. A schedule of corrected audit differences is included on the following pages.

UNADJUSTED AUDIT DIFFERENCES

There are seven unadjusted audit differences identified by our audit work which would increase the revised deficit on the provision of services by £1.995 million to £4.998 million (from £3.003 million).

A schedule of uncorrected audit differences is included on the following pages, with misstatements recorded as factual misstatements, judgemental / estimation misstatements, or projected misstatements. We request that you correct these misstatements. Deliberate misstatement of known issues is not acceptable and identified misstatements should, where practicable, be corrected even if not material.

Management has stated that it considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

We have also separately reported the impact of brought forward prior year uncorrected misstatements and their impact on the current year performance. These amounts remain misstatements with regard to reporting in year financial performance, but are not misstatements at the year end and cannot be corrected as these relate to previous years. Overall, the impact of prior year misstatements on current year performance has decreased the reported underlying deficit for the current year by £390,000.

Unadjusted audit differences

UNADJUSTED AUDIT DIFFERENCES	£'000	INCOME AND EXPENDITURE		BALANCE SHEET	
		Dr £'000	(Cr) £'000	Dr £'000	(Cr) £'000
CIES deficit on the provision of services after corrected adjustments above	**3,003**				
Impact of prior year unadjusted misstatements					
Dr Property plant and equipment, accumulated depreciation (opening balance)				420	
Cr Capital adjustment account (opening balance)					(420)
Estimated overstatement of depreciation on land and buildings due to use of weighted average useful economic life rather than actual economic life provided by the valuer (judgemental misstatement - estimate)					
Misstatements identified in the current year					
Dr Service income in the CIES	**1,000**	1,000			
Cr Service expenditure in the CIES	**(1,000)**		(1,000)		
Extrapolation of potential misclassifications of internal recharges as a result of errors found in our sample testing (judgemental misstatement - extrapolation)					
Dr Service expenditure in the CIES	**1,500**	1,500			
Cr Service expenditure in the CIES	**(1,500)**		(1,500)		
Extrapolation of potential misclassifications between service lines as a result of errors found in our sample testing (judgemental misstatement - extrapolation)					
Dr Local authority housing expenditure (depreciation)	**852**	852			
Cr Property, plant and equipment (council dwellings accumulated depreciation)					(852)
Dr Capital adjustment account				852	
Cr General Fund (through the Movement in Reserves Statement)					(852)
Increase in depreciation on council dwellings if componentisation is applied (judgemental misstatement - estimate). This entry does not impact on the overall general fund balance as the charge to the CIES would result in a debit to the general fund, which would be reversed to the capital adjustment account through the Movement in Reserves Statement.					
Dr Service income in the CIES	**940**	940			
Cr Debtors					(940)
Write off of invalid debtor balance (factual misstatement)					

Unadjusted audit differences (continued)

UNADJUSTED AUDIT DIFFERENCES	£'000	INCOME AND EXPENDITURE Dr £'000	INCOME AND EXPENDITURE (Cr) £'000	BALANCE SHEET Dr £'000	BALANCE SHEET (Cr) £'000
Dr Reserves (revaluation reserve and/or capital adjustment account)				398	
Dr Loss on disposal of non-current assets in the CIES	**104**	104			
Cr Property plant and equipment (other land and buildings					(502)
Dr Capital adjustment account				104	
Cr General Fund (through the Movement in Reserves Statement)					(104)
Correction of misstatement relating to incorrect DRC valuations (factual misstatement). This entry does not impact on the overall general fund balance as the charge to the CIES would result in a debit to the general fund, which would be reversed to the capital adjustment account through the Movement in Reserves Statement					
Dr Education and children's services expenditure	**99**	99			
Cr Creditors					(99)
Inclusion of omitted special needs education accrual for independent schools (factual misstatement)					
TOTAL UNADJUSTED AUDIT DIFFERENCES	**1,995**	4,495	(2,500)	1,774	(3,769)
CIES deficit on the provision of services if the accounts are adjusted for the above issues	**4,998**				

OTHER UNADJUSTED MATTERS

Our prior year audit found that the Council had potentially overstated its expenditure and creditor accruals by £801,000 (extrapolation of identified misstatements over the untested population) and had understated its net expenditure on schools by £1.191 million. The current year deficit is lower, and the opening general fund balance is higher, than they would have been had the potential and actual misstatements been detected and corrected in the prior year.

APPENDIX III: MATERIALITY

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements. Materiality may relate to both quantitative and qualitative matters, and for quantitative considerations the numerical level materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, we provide an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

MATERIALITY	
Planning materiality	£4,300,000
Final materiality	£4,300,000
Clearly trivial threshold	**£86,000**

Planning materiality of £4.3 million was based on 1% of gross expenditure, using the draft financial statements.

We have no reason to revise our final materiality level.

APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

Follow-up of prior year recommendations

PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
Working papers Management should carry out a detailed review of its 2012/13 closedown process to identify how improvements can be made. This should include a critical evaluation of working papers against audit requirements. BDO will assist in this process to ensure that our requirements continue to be appropriately tailored to the Council and fully understood by all relevant staff.	The Council set up an accounts closedown project group to oversee the preparation for and delivery of the 2013/14 accounts closedown process. The project plan set out the processes and arrangements that needed to be put in place by the finance team, service areas and third party provider to effectively produce the financial statements for 2013/14. The project plan also included actions to ensure that supporting working papers were adequate and produced on a timely basis. A detailed file of electronic working papers was provided to us on 7 July 2014, in accordance with the agreed timetable. However, our review of these working papers found a number of gaps and quality issues. Comparison to the detailed schedule of working papers provided to the Council found that only a third of the working papers were in sufficient detail to allow an effective starting point for the audit of those sections.	Whilst there has been improvement in the quality of the Council's working papers since the prior year, there remains significant scope for improvement. Management should carry out a critical review of the outcomes of the 2013/14 audit to identify the areas where further improvements need to be made in closing down the accounts and producing effective working papers.	A further review will be undertaken after the audit is completed to inform 2014-15 accounts closedown. Improvements have been made since the previous year and these will continue to be build upon. A 'soft' month 9 closedown will be completed to assist in preparing some of the areas mentioned in this report earlier. Receiving BDO's working paper requirements during the preparation for closedown will greatly assist this process.	Corporate Financial Controller	January 2015

PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
Related party disclosures As part of the accounts closedown processes, finance officers should review the general ledger for any transactions with entities with whom officers and Councillors have declared interests. The value of the transactions should be considered from the viewpoint of both the Council and the related party in deciding whether or not the transactions should be disclosed in the related parties note.	Minor amendments have been made to the related parties note in the financial statements as a result of our audit, to disclose the value of transactions with related parties. The recommendation is considered implemented.	**None**	**N/A**	**N/A**	**N/A**
Property valuations Management should more fully document its thought process and evidence to support the representation that the carrying values of all assets remain materially accurate as fair value at year end.	There remains scope for improvement in the Council's evidence supporting the carrying value of properties that have not been revalued in the year.	Management should more fully document its thought process and evidence to support the representation that the carrying values of non-current assets that have not been formally revalued in the year remain materially accurate as fair value at year end.	A review will be completed in conjunction with valuers.	Corporate Financial Controller	January 2015

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PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
Depreciation of non-current assets : Useful economic lives (a) Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets. (b) The fixed assets register should be updated to ensure that all assets are appropriately depreciated in accordance with the Code requirements. (c) The fixed assets register should be updated to ensure that leased assets are being depreciated over the shorter of the lease life or the expected life of the asset.	There remains scope for improvement in the evidence supporting management's annual review of useful lives, depreciation methods and residual values of all classes of assets. Our audit work found no issues with regards to depreciation calculations in the fixed asset register, including depreciation on leased assets. Parts (b) and (c) of the recommendation are considered to be implemented.	Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets, particularly where assets have not been formally revalued.	Management will review its methodology of useful lives and residual values as part of its month 9 review.	Corporate Financial Controller	January 2015
Periodic income and expenditure Management should review the Council's approach to periodic income and expenditure at year end to ensure that it does not result in a material misstatement of income for the year.	Our audit testing did not find any issues with regards to periodic income or expenditure in the current year. The recommendation is considered to be implemented.	**None**	**N/A**	**N/A**	**N/A**
Accrual for special education needs (SEN) Management should ensure that the year end accrual for out-of-borough special education need placements is estimated by taking account of the actual number of placements and the expected cost for each; in the light of the accuracy of the prior year accrual.	There were a number of issues regarding the working papers provided to support the year end SEN accrual. In addition these do not clearly show how the prior year accrual compared to the actual payments made post year end and therefore the extent of any under/over accrual from the prior year impacting on the current year.	Management should carry out a critical review of the working papers produced to support the year end SEN accrual to ensure that they fully evidence all assumptions made and any impact from prior year under/over accruals.	Management will review how this is accounted for going forward.	Corporate Financial Controller	January 2015

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PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
HRA share of corporate and democratic core costs The Council should review its recharges and recalculate the HRA share of corporate and democratic core costs on an appropriate basis. This calculation should be reviewed regularly.	Finance officers have reviewed the calculation and amended the charge to the HRA in 2013/14. Recommendation implemented.	**None**	**N/A**	**N/A**	**N/A**
CONTROL ENVIRONMENT					
Fixed assets register Management should ensure that the following recommendations raised by Internal Audit on the fixed asset register are implemented: • the Council should carry out an exercise to ensure the accuracy of the asset register. • the Council should embed a process whereby all assets for disposals are clearly communicated to the Principal Capital Accountant through the use of a form that this officer is required to sign to confirm removal of disposed assets from the Asset Register or justification is documented to explain why nil value assets remain recorded. The Council should carry out a full review of its fully depreciated assets to determine whether they are still in use and have a value to the Council or whether they should be removed from the fixed assets register and the accounts.	Internal Audit's conclusion on the asset register in 2013/14 is rated 'amber' as the majority of its previously stated recommendations in this area have not been fully implemented. The Council has reviewed its fixed asset register and written out a number of assets that are no longer in use of held by the Council. Work is in progress to determine whether the Council needs to formally transfer title for its properties that are still registered in the name of the previous Berkshire County Council.	Management should ensure that Internal Audit's recommendations on the asset register review in 2013/14 are fully implemented in accordance with agreed timelines.	The internal audit report already has a completed action plan and we will be monitoring progress against this.	Head of Asset Management / Principal Accountant (Capital)	December 2015

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PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
In addition, the Council should seek legal advice as to whether or not it needs to formally transfer title for its properties that are still registered in the name of the previous Berkshire County Council.					
Business rates reliefs Management should ensure that the following recommendations raised by Internal Audit on business rates processes are implemented as a high priority: • an inspector should be put in place and regularly investigate empty properties and small businesses to ensure that these are still eligible for the reliefs and deductions they receive. An inspection timetable should be created to ensure that all properties in receipt of exemptions are inspected cyclically. • the transactional hub contractor should create a review timetable to ensure that regular checks are undertaken to confirm continued eligibility to reliefs and exemptions.	Internal Audit's review of business rates for 2013/14 found that considerable efforts had been made in implementing recommendations raised at the last audit review, although the appointment of a permanent inspector remained outstanding. Management had stated that an inspector is been in place since February 2014 (after Internal Audit's review), therefore recommendation is implemented.	**None**	**N/A**	**N/A**	**N/A**

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PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
Register of interests The Council should issue further guidance to Councillors and officers to clarify that all directorships should be declared, including those where the post is held as a result of the individual's role in the Council.	Our audit found that one interest for councillors and senior officers was not declared in the current year, although it was declared in the prior year. Internal Audit has reviewed the new online system of declaring interests for all staff members and found that whilst it has yet to be implemented across all of the Council's Directorates, it is considered that progress is being made in embedding the new system and ensuring that staff are aware of how to use the system. It was noted, however, that further work is required to ensure that the declarations are completed by all members of staff. Internal Audit has raised recommendations in his area which management is working to address. Recommendation considered to be largely implemented.	**None**	**N/A**	**N/A**	**N/A**
Schools returns Management should work with the schools that failed to return all four of their quarterly certified returns on time for 2012/13, to ensure a clear timetable is agreed with the schools and implemented in future years.	Our audit in 2013/14 has not found any significant issues with regards to the receipt of schools returns. Recommendation considered to be largely implemented.	**None**	**N/A**	**N/A**	**N/A**

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PRIOR YEAR RECOMMENDATION	OUTCOME OF FOLLOW UP	CURRENT YEAR RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
Purchase orders Management should remind staff that all purchase requisitions should be raised and approved prior to orders being made for goods or services, in accordance with the Council's policies. Management should monitor compliance with these procedures.	In September 2013 the Assistant Director, Finance & Audit gave a presentation to the Council's senior leadership team which included the issue of purchase requisitions being raised retrospectively of receiving invoices. Throughout 2013/14 a number of purchase requisitions have continued to be raised retrospectively (16 out of 25 tested by Internal Audit), however management believes that the Council's new 'No Purchase Order, No Pay' Policy is fully in place from 1 April 2014.	Management should monitor compliance with its new 'No Purchase Order, No Pay' policy as failure to comply with this policy could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.	Monthly reports are being run to see progress against this policy and which services are improving performance. Training is also being rolled out to improve compliance in Autumn 2014.	AD, Finance & Audit	January 2015
NNDR journals Management should ensure that refunds to business ratepayers are appropriately authorised by an NNDR manager before being processed.	Internal Audit's sample testing confirmed that when a credit arises on a business account refunds are authorised by a different officer to the one which requested the refund to ensure appropriate segregation of duty.	**None**	**N/A**	**N/A**	**N/A**

New recommendations arising in 2013/14

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				
Consolidation of schools transactions The Council's arrangements for consolidating information from schools into the CIES (and the balance sheet) are ineffective. The working papers and journals prepared to support transactions consolidated into the CIES and balance sheet were inadequate.	Transactions posted to the general ledger should be fully reconciled to underlying schools returns. Management should complete a review of the consolidation of schools transactions into the CIES and balance sheet as part of the accounts closedown process.	This will be reviewed as part of the closedown review highlighted above.	Corporate Financial Controller / Finance Manager (Wellbeing)	December 2014
Capital expenditure on council dwellings The Council incurred expenditure of £8.166 million on the refurbishment of its housing stock in the year. This amount had been derecognised from property, plant and equipment as a proxy for the deemed carrying amount of the replaced components. This treatment is acceptable under the Code, however the *Code Guidance notes for practitioners 2013/14* states that this amount should be adjusted for any depreciation and impairment.	The Council's closedown procedures should include a process to calculate a reasonable carrying value for replaced components of council dwellings, which takes account of any accumulated depreciation and impairment, rather than derecognising the components at the same value as the capital expenditure incurred.	This will be included in the management review of assets and as part of the month 9 closedown.	Principal Accountant (Capital)	January 2015
Employment Taxes As part of our risk assessment procedures for the audit, our employment taxes specialist has carried out a review of the Council's arrangements in respect of employment taxes and raised a number of recommendations for improvement.	Management should monitor the implementation of the recommendations raised by BDO's employment taxes specialist.	An action plan is in the process of being agreed.	Assistant Director Professional Services	January 2015

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APPENDIX V: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	DATE COMMUNICATED	TO WHOM	METHOD
Accounting practices, accounting policies, estimates and judgements and financial statement disclosures (ISA 260)	**Financial statements section of this report**		
Significant difficulties encountered during the audit (ISA 260)	**Overview to this report**		
Significant matters discussed or subject to correspondence with management (ISA 260)	**No issues**		
The final draft of the representation letter (ISA 260)	**Appendix VI of this report**		
Independence (ISA 260)	**Independence section of this report**		
Fraud and illegal acts (ISA 240)	**No issues**		
Non compliance with laws and regulations (ISA 250)	**No issues**		
Significant deficiencies in internal control (ISA 265)	**Control environment section of this report**		
Misstatements, whether or not corrected by the entity (ISA 450)	**Appendix II of this report**		
Significant matters in connection with related parties (ISA 550)	**No significant issues**		
Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570)	**No issues**		
Matters relating to the audit of the group (ISA 600)	**No issues**		
Expected modifications to our audit report or inclusions of emphasis of matter / other matter (ISA 705 / 706)	**No issues**		
Material inconsistencies with other information in documents containing audited financial information (ISA 720)	**No significant issues**		
Objections from the public or exercise of statutory powers under the Audit Commission Act 1998	**No issues**		

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

23 September 2014

Dear Sirs

Financial statements of Slough Borough Council for the year ended 31 March 2014

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2014 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Assistant Director of Finance and Audit (Section 151 Officer) has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2011 and Statement of responsibilities of auditors and of audited bodies local government (March 2010) issued by the Audit Commission, and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2014 and of its income and expenditure and cash flows for the year then ended 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2011, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the annual governance statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity and the transactional services provider from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either requires changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

We have disclosed to you all instances of fraud or suspected fraud that we have knowledge of, involving:

- councillors;
- management;

- employees; or
- others where the fraud could have a material effect on the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the following significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable:

(a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of increase in salaries 4.6%
- Rate of inflation 3.6%
- Increase in pensions 2.8%
- Rate for discounting scheme liabilities 4.5%
- Take up option to convert the annual pension into retirement grant -pre 31 March 2008 50%
- Take up option to convert the annual pension into retirement grant – post April 2008 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

(b) Housing stock

We are satisfied that the useful economic lives of the housing stock and its constituent components, used in the valuation of the housing stock and the calculation of the depreciation charge for the year are consistent with those advised to us by the expert valuer appointed by the Council to provide this information.

We are satisfied that the componentisation split for council dwellings, of 15% for land and 85% for buildings, is reasonable.

We confirm that the index of 4.04% applied to council dwellings in the revised financial statements, as provided by the valuer, is reasonable and consistent with our knowledge of the business and current market prices. We have adjusted the financial statements for this increase.

(c) Carrying value of other land and buildings

We are satisfied that the carrying value of other land and buildings is materially consistent with the fair value at 31 March 2014. We confirm that no further adjustments are required to those assets that were not revalued at 1 April 2013.

We confirm that, in respect of the land and buildings reviewed for possible componentisation within the fixed assets register, we have reviewed the impact on the depreciation charge arising from the application of differing useful economic live to the separate components and are satisfied that it is not materially different from applying a single useful economic life to the entire asset value.

(d) Non-domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to us by the Valuation Office Agency. We confirm that the success rates applied to outstanding appeals as at 31 March 2014 (2.248% change in rateable value) is consistent with our knowledge of the business.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the accounting policies disclosed in the financial statements are sufficient.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that provisions for insurance claims of £718,000 and litigation of £500,000 represent constructive obligations and are disclosed as current liabilities in the financial statements as they expected to be settled in the next year.

After making appropriate enquiries of other members of the Council and other officers regarding disclosure of information to you as auditors, we confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

Yours faithfully

Joseph Holmes
Assistant Director of Finance and Audit

23 September 2014

Councillor Chohan
Signed on behalf of the Audit and Risk Committee

23 September 2014

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