Slough Borough Council
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Date of issue: Tuesday, 12 December 2017

MEETING	**AUDIT AND CORPORATE GOVERNANCE COMMITTEE** (Councillors Chaudhry (Chair), Chohan (Vice-Chair), Brooker, Amarpreet Dhaliwal, Nazir and Usmani) **CO-OPTED INDEPENDENT MEMBERS** Ronald Roberts, Alan Sunderland and Iqbal Zafar **PARISH COUNCIL MEMBERS:** Parish Councillor Raymond Jackson (Colnbrook) Parish Councillor Harjinder Gahir (Wexham Court) Vacancy (Britwell) **INDEPENDENT PERSON** Dr Louis Lee
DATE AND TIME:	THURSDAY, 14TH DECEMBER, 2017 AT 6.30 PM
VENUE:	VENUS SUITE 2, ST MARTINS PLACE, 51 BATH ROAD, SLOUGH, BERKSHIRE, SL1 3UF
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

AGENDA ITEM	REPORT TITLE	PAGE	WARD
3.	Financial Statements 2016/17	1 - 124	All
4.	External Auditors Annual Audit Report	125 - 210	All

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Corporate Governance Committee **DATE:** 14th December 2017

CONTACT OFFICER: Neil Wilcox, Director of Finance & Resources
(For all enquiries) (Section 151 Officer)
(01753) 875358

WARD(S): All

PART I
FOR DECISION

FINANCIAL STATEMENTS 2016/17

1 **Purpose of Report**

To seek the approval of the Audit & Corporate Governance Committee for the 2016-17 financial statements following completion of the external audit.

2 **Recommendation(s)/Proposed Action**

The Committee is requested to resolve that the Council's financial statements for the 2016-17 financial year be approved.

3 **The Joint Wellbeing Strategy, the JSNA and the Five Year 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	n/a	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 Supporting Information

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 2017. 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 2016-17 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 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. This report is set out elsewhere on the agenda.

5.1.4 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 material 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 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 BDO also audits the Council's arrangements for putting in place arrangements for securing value for money. BDO are due to qualify this opinion.

6 Comments of Other Committees

This report has not been considered by any other committees.

7 **Conclusion**

That the Audit & Corporate Governance 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 2016-17. 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 **Appendices**

A - Financial Statement 2016-17

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Statement of Accounts

2016 - 2017

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Statement of Accounts

Statement of Accounts
2016 - 2017

CONTENTS

1. Presentation of Accounts and Changes in Presentation

The Statement of Accounts sets out details of the Council's Income and Expenditure for the 2016/17 financial year and its financial position as at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards.

A glossary of key terms can be found at the end of the publication.

2. Explanation of the Statement of Accounts

The **Core Statements** are:

- The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested capital projects or service improvements, and "unuseable" which must be set aside for specific purposes.

- The Comprehensive Income and Expenditure Statement records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

    - Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
    - Discretionary expenditure focused on local priorities and needs.

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

- The Cash Flow Statement shows the reason for changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

- The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

- The Housing Revenue Account (HRA) separately identifies the Council statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

- The Collection Fund summarises the collection of Council Tax and business rates, and the redistribution of some of that money to Berkshire Fire Authority, Thames Valley Police and central government.

- The notes to the Financial Statements provide more detail about the Council's accounting policies and individual transactions.

Narrative Report – Financial Year 2016/17

This statement gives a brief summary on the Council's financial performance and associated delivery of Council services. This is shown in the table below:

Table 1.1 Summary of Performance	
Item	**Outcome**
Overall Revenue Outturn	Underspend of **£26k** on the General Fund; keeping General Fund balances at £8.1m. The revenue surplus has been transferred to earmarked reserves.
Housing Revenue Account	Delivered a surplus of **£0.6m,** compared to a budgeted surplus of £0.5m
Savings	86% of the £10.1m savings programme was successfully delivered during the year. This compares to 71% in the previous year. Those savings not delivered fully in 2016/17 is expected to be delivered in 2017/18.
Capital Budget	84% of the approved Capital Programme was delivered compared to 58% in the previous year.
Balanced Scorecard	40% performance measures Green, 30% Amber; 10% Red and 20% Not Applicable or Not Assigned.

The delivery of Council services continues to be driven by The Five Year Plan (5YP). This remains the Council corporate strategic driver. 2016-17 is the second year of its operation and the allocation of financial resources is underpinned by the 5YP.

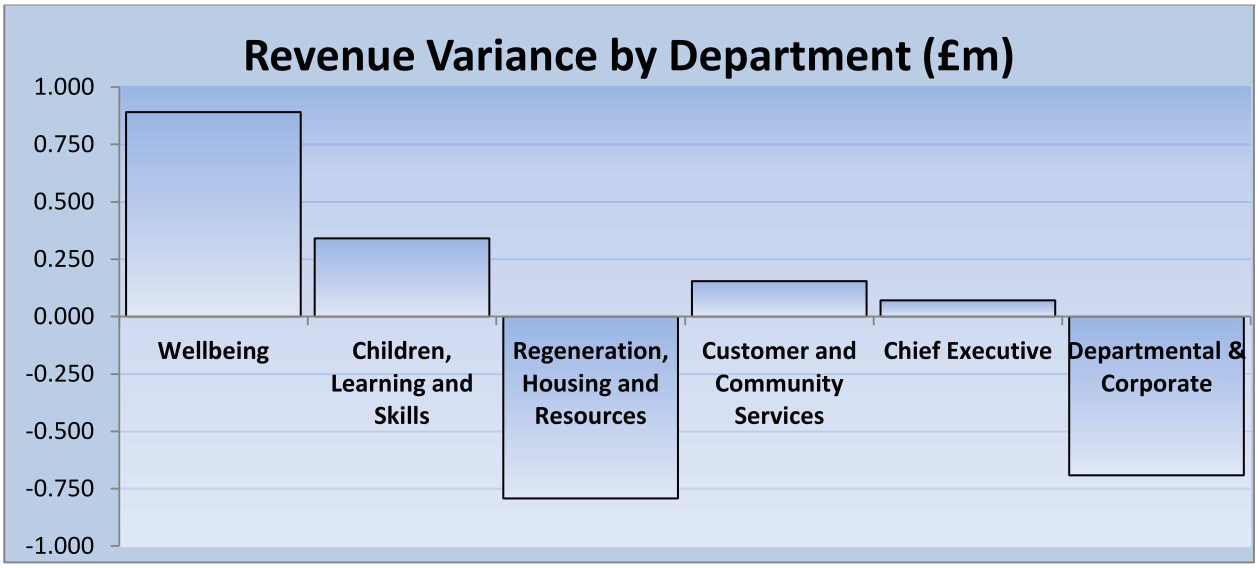
There is a separate annual report on the 5YP (http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=109&MId=5366&Ver=4)

Financial Performance (Revenue)

The council had a net underspend of **£26k** for the 2016/17 financial year. Within this there were some significant overspends, the largest being the adverse variance of **£774k** on Adult Social Care within the Wellbeing Directorate. This has improved in the last month but it has been a budget pressure for most of the financial year. This has been offset by underspends elsewhere, chiefly, underspends within the Regeneration, Housing and Resources (RHR) Directorate and this is due to better than expected income performance in a number of areas.

The Adult Social Care budget pressure is due to the increasing levels of need for *existing* domiciliary care clients. The service has reduced this pressure in recent months from a high point of **£1m** in the summer.

Across the rest of the Council, other services have contributed to offset the Adult Social Care and other pressures to ensure the council balanced its books. The most significant area of saving came from the Assets, Infrastructure and Regeneration (AIR) Service which had a significantly greater than budgeted investment income performance.



The underspend has meant that there is no movement to the overall General Fund position, keeping the General Fund Reserve balance at £8.1m. All future transformation activity across the Council will be funded by the flexible use of capital receipts as detailed in the Government's finance settlement in February 2017. The Medium Term Volatility Reserve (MTFVR) was created specifically to deal with the increased volatility in budgets through having much higher levels of savings and fluctuations in income.

General Fund Revenue Budgets

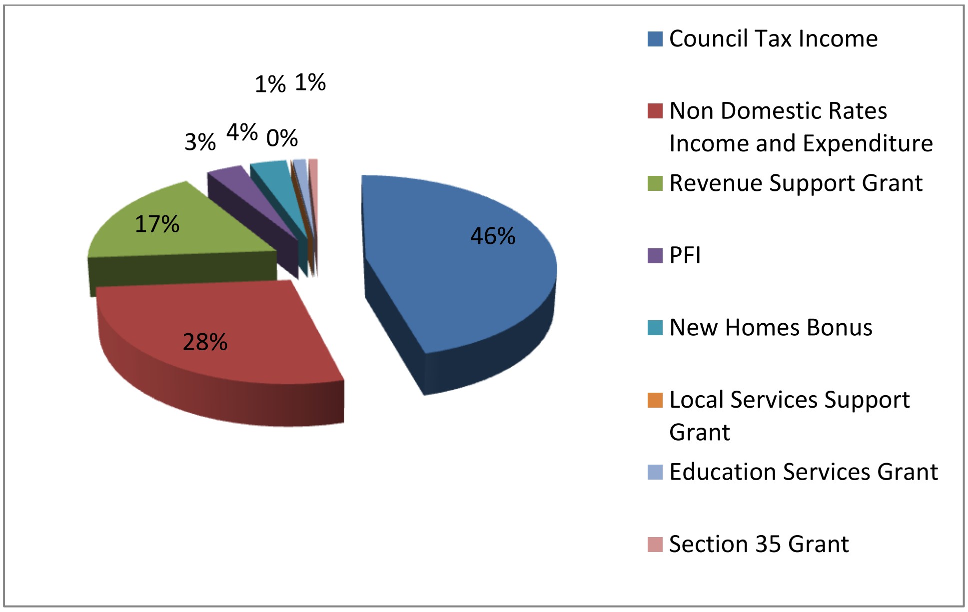
The final outturn position for the year compared to the draft outturn reported to committee in June 2017 is set out below

Committee	Draft outturn	Capital Charges and IAS 19	Adjustments	Final Outturn
	2016/17	**2016/17**	**2016/17**	**2016/17**
	£'M	**£'M**	**£'M**	**£'M**
Wellbeing and Schools	31,683	20,431	(565)	51,549
Children, Learning and Schools	30,679	0.000	1,100	31,779
Customer and Community Services	17,541	12,052	(22)	29,571
Regeneration, Housing and Resources	21,248	6,071	461	27,780
Chief Executive	4,418	81	0	4,499
Corporate Services	1,816	0	1,194	3,010
Total Cost of General Fund Services	**107,385**	**38,635**	**2,168**	**148,188**

Table 1.2 Summary of Financial Terms and what they mean for SBC	
Item	**Commentary**
Comprehensive Income and Expenditure Account (CIES) This account shows the accounting cost in the year of providing services with international financial reporting standards, rather than the amount to be funded from taxation. It also includes costs associated with the use of assets; costs of borrowing and income from investments are also shown in this account, including both the General Fund and the Housing Revenue Account.	The analysis of services included in the Income and Expenditure account is used by all local authorities for comparison purposes and differs from the Council's own budget and service organisational structure. The accounts show a gross deficit in 2016/17 of £126.8m with a net deficit of £33.0m. This surplus includes a number of accounting entries which do not form part of the Council's actual General Fund and HRA balances. These accounting entries such as depreciation and pension fund are then reversed out in the Movement in Reserves Statement so that there is no effect on the overall Council Tax and Housing rents. The net position is breakeven. The CIES reflects the continuing reduction in gross expenditure throughout the services, representing a reduction in costs and the continuation of shrinking public sector funding.
Movement in Reserves Statement: This statement analyses the movements in reserves as they appear on the balance sheet.	There has been no decrease in the General Fund Balance leaving a balance as at 31st March 2017 of £8.1m Earmarked reserves are those that have been set aside to cover a particular risk, or are for particular purposes. These total £7.2 m including school balances of £2.3m
Balance Sheet: The Balance Sheet shows the assets and liabilities of the Council as at 31st March 2017. Assets include property, plant and equipment, cash and cash equivalents and any debts owing to the council Liabilities include loans taken out by the Council to finance capital expenditure and any debts owed by the Council.	Property plant and equipment has increased in value by £91.7m. This is due to the net effect of revaluations, additions and enhancements during the year. Net Asset (assets less liabilities) have reduced for the Council as at 31st March 2017 to £414.4m compared with 31st March 2016 of £424.6m. The reduction is due to an increase in the pension liability.
Housing Revenue Account The Housing revenue Account is a separate ring fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock of some 6,400 dwellings	The HRA balance as at 31st March 2017 is £23.7m; this is a reduction of £5.4m in the year.
Collection Fund The Collection Fund is a separate account detailing Council Tax collections (including those collected on behalf of the Police and Fire Service and National Non Domestic rates (NNDR). This account shows the amount of Council Tax and NNDR collected and the redistribution back to the Government Pool.	Any surplus or deficit on the fund is distributed between Slough Borough Council, the Police and the Fire Service in the same proportion to their share of tax income. The fund shows an overall deficit of £1.8m2016/17. This deficit will be distributed in the 2017/18 budget in line with expected levels.

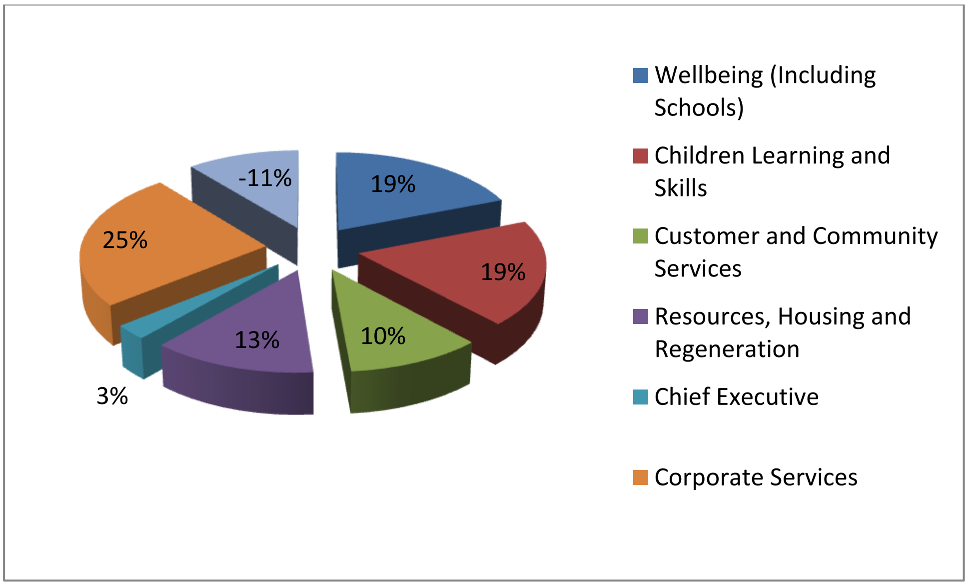
Also included in the main financial statements are summaries of the Council's main income and expenditure. The graphs below highlight where the Council has received income from for 2016-17 and where the gross expenditure to deliver services is.

Graph 2.1: Key income streams



The Non Domestic Rates Income figure above includes a tariff paid of £18.6 million. The Gross Non domestic rate income received was £48.7million.

Graph 2.2: Net expenditure on Council Services



HRA in the above graph is showing a net income position of £18million.

The graph above and later in this summary highlights how the Council's financial position is changing. Income is reducing rapidly from Central Government grants and at the same time, there has been a much greater proportion of income generated through Council Tax (primarily through an increase in properties in Slough) and Business Rates. Money from Government (through RSG) is now a minority element of the Council's funding stream at £18.5m in the 2016/17 financial year; in 2015/16, this figure was £24.0m.

Financial Performance (Capital and Treasury)

Capital Programme
The Capital Programme for 2016/17 was a total of £133.8m. The council achieved a expenditure of £112.5m with a total of only £21.3m re-profiled into future years. There have been some major schemes built during the year.

The Council has funded the capital programme through a combination of external grants, Local Enterprise Partnership (LEP) funding, s106 contributions and internal balances. The Council has investments of circa £62-80m that fluctuated through the year, though with major general fund capital schemes these balances are diminishing, and have done during the financial year. Once these are depleted, the Council will need to borrow additional funds externally to fund the current levels of capital projects. Importantly though, capital schemes are improving the Council's balance sheet and providing key assets for future service delivery as well as for generating additional income. During the year, the Council has purchased new assets for investments and in the future is investing in more strategic investments and a local authority property purchase scheme by investing in housing. These are expected to produce income to offset future borrowing costs and provide a rental stream to the Council.

Treasury
The overall investment returns have continued to provide the Council with substantial income of £2.3m. The treasury strategy was approved in February 2016 by full Council and has continued to yield good levels of returns (2.4% for 2016/17 including appreciation) which has helped to contribute to funding core Council services.

Other key financial implications

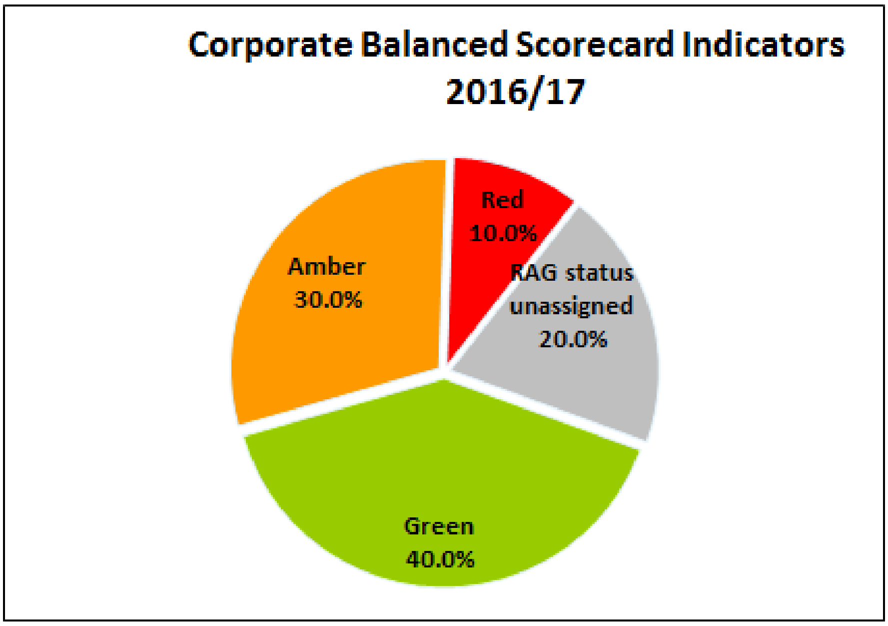
Key Assets & Liabilities
There has been some major changes to the council's assets and liabilities over the financial year.. The Council has also enhanced its assets through its treasury management activities and investment in the CCLA property fund. There has also been some major investment in the built infrastructure of the town with large levels of spend on education assets, housing and the commencement of major transport schemes in partnership with the Thames Valley Local Economic Partnership.

The pension liability has increased during the financial year. Even though the Council has increased its pension fund contributions by 0.5% p.a. over the past three years, there remains a substantial deficit of £270m on the pension fund.

Council Wide Performance

During 2016-17 the Council revised and streamlined its performance balanced scorecard. A summary of the overall performance at year end is included below (and this is reported quarterly to Cabinet).

Graph 2.3: Progress against key performance outcomes



There have been a number of notable successes such as further improvement in school achievement, more adults being enabled to procure and manage their own social care support packages through Direct Payments, an increase in Council Tax and business rate collection, evidence of channel shift through lower face to face interactions and increased direct debit uptake, and a continued fall in local unemployment levels.

The council has also had a number of 'red' and 'amber' indicators during the year, notably related to residents health and behaviours, with an increase in childhood obesity levels and fewer health checks delivered through the CCG and taken up by residents than desired.

The Council also measures progress against its FYP and key 'Gold' projects on a regular basis, with a Project Management Office providing monthly oversight and review, and quarterly reports made to Councillors.

Across both areas the Council has made significant progress. Especially on the 5YP there have been a variety of new programmes that have started to progress the 5YP with a much greater focus on key outcomes such as the Centre of Town, improving Business retention and attraction and the utilisation of assets. There have been some areas though where greater progress needs to be made.

The Council also measures progress against its five year plan and key 'Gold' projects on a regular basis, with a Project Management Office providing monthly oversight and review, and quarterly reports made to Councillors

Governance

The overall Governance arrangements are set out in detail in the Annual Governance Statement. In summary, the Council has continued to improve its overall performance in respect of audit reports with internal audit reports that are red (no assurance) decreasing further to just two during the year. The Council does need to improve on its Whole Government Accounts return and this is something that is a key part of the closedown procedures for the year ahead.

Accounting Policies

The accounting policies adopted by the Council are explained later in the Statement of Accounts and follow the Code of practice on Local Authority Accounting in the United Kingdom 2016/17. There has been no major impact to finances as a result of any change to accounting policy

General Election

The General Election on 8 June 2017 was followed by the Queens Speech being delivered on

21st June 2017. The Speech focused on the legislation that will need to be introduced to accommodate Brexit. At this stage the legislative programme gives no insight into the form that Brexit will take, simply the legislation that will be required to make it happen. There is no mention of the Local Government Finance Bill or whether it will be reintroduced in this parliamentary session. This does not necessarily mean that it has been dropped.

FURTHER INFORMATION

Further information about the accounts is available from:

The Assistant Director Finance Audit or

The Head of Financial Reporting
Slough Borough Council
St Martins Place
51 Bath Road
Slough
SL1 3UF

neil.wilcox@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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 (the section 151 officer) has the responsibility for the administration of those affairs. At Slough Borough Council this officer is the Assistant Director of Finance and audit, Neil Wilcox.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- 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 Code of Practice on Local Authority 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 2017 and its income and expenditure for the year ended 31st March 2017.

Assistant Director of Finance and Audit (Section 151 Officer)
Date

APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by the Slough Borough Council Audit and Corporate Governance Committee.

Councillor
Chairman of the Audit and Corporate Governance Committee
Date:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLOUGH BOROUGH COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of Slough Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Slough Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance & Resources and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance & Resources is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance & Resources; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Narrative Report 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Slough Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government Framework' (2016 Edition) published by CIPFA/SOLACE in or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and auditor

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

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2016, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis of adverse conclusion

Informed decision making

The Head of Internal Audit's opinion for 2016/17 is that "There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective." This negative conclusion was as a result of weaknesses identified in a number of key areas which included the following:

- Information Governance: The Council did not have sufficient policies and procedures in place to support a robust information governance framework within the Council, and as a consequence of this a number of key information governance requirements were not undertaken effectively across the Council.
- Risk Management: There was a lack of oversight of risks at a directorate level due to the absence of an effective risk management system, and insufficient scrutiny of the corporate risk register at Cabinet level during 2016.
- Budgetary control: There was a lack of scrutiny and reporting on savings plans during the first half of the year and therefore there was no effective oversight as to whether savings plans had been delivered.
- Compliance with the Local Government Transparency Code: The Council failed to ensure that information that must be published by the Council was published on a timely basis.

We concur with the above findings.

In addition, we identified the following weaknesses in governance arrangements during 2016/17:

- Constitution and associated policies: The Council failed to ensure that the Constitution and associated policies were sufficiently up to date and robust. Weaknesses in Human Resources procedures during the year were partly due to policies being out of date, not clear enough or not appropriately applied.
- Whistleblowing procedures and complaints: The Council's whistleblowing policy and procedures for dealing with whistleblowing complaints were not sufficiently robust to protect confidentiality and instil confidence in the process. As referred to in the Annual Governance Statement, there were data breaches in respect of a confidential investigation report and a confidential whistleblowing complaint during the year and the Council is considering its reporting responsibilities in respect of these issues. In addition, systems for reporting on complaints were inadequate during 2016/17.
- Preparation of the Statement of Accounts: Our audit of the 2015/16 financial statements, which were prepared during 2016/17, identified a large number of misstatements which had to be amended in the final financial statements. This included one material misstatement in the primary statements, five notes that were materially misstated and in excess of twenty further non-trivial adjustments. We also identified weaknesses in the quality of the underlying working papers. Our audit of the 2016/17 financial statements has identified continuing weaknesses in the financial statement preparation process.

As a result of the above issues, we concluded that the Council had not during the year demonstrated or applied the principles and values of sound governance and internal control. These issues are evidence of significant weaknesses in proper arrangements to support informed decision making.

Working with partners and other third parties

Following significant weaknesses identified by Ofsted in their inspection of children's social care services in Slough in 2011 and 2013 and a direction issued to Slough Borough Council on 7 October 2014 by the Secretary of State for Education, the responsibility for children's social care services in Slough were transferred to Slough Children's Services Trust ('the Trust'), a company limited by guarantee, on 1 October 2015.

In February 2016 Ofsted completed a further review of children's social care services in Slough, and judged the services it reviewed as inadequate overall.

Ofsted has carried out four monitoring visits since the service was judged as inadequate in February 2016. The report published following its June 2017 visit noted that there had been practice improvements but these had largely been achieved in the first quarter of 2017/18 and there is still some way to go before vulnerable children can rely on a service that meets their needs and reduces the risks that they experience.

In seeking to satisfy ourselves that the Council has made proper arrangements for challenging how it secures economy, efficiency and effectiveness in its use of resources, we have considered the Council's arrangements for improving services and outcomes in children's social care services during the year ended 31 March 2017, in working in partnership with the Trust.

We concluded that the Council's arrangements for ensuring that sufficient action was taken by the Trust to address weaknesses identified by Ofsted during 2015/16 were inadequate, as the pace of improvement was not swift enough in all areas of practice.

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2016, we have been unable to satisfy ourselves 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 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this matter does not have a material effect on the financial statements or on our value for money conclusion.

Janine Combrinck

For and on behalf of BDO LLP, Appointed Auditor

London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Annual Governance Statement

How did we do in 2016/17?
Were we well-governed?

Slough Borough Council

INTRODUCTION AND PURPOSE OF THIS DOCUMENT

Slough Borough Council is responsible for ensuring that its business is conducted in accordance with the law and regulations, internal policies and procedures and that public money is safeguarded and properly accounted for, and used economically, efficiently, effectively and lawfully. Slough Borough Council also has a duty under the Local Government Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Slough Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Slough Borough Council has approved and adopted a code of corporate governance through its constitution and five year plan, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 edition*. A copy of the authority's constitution is on our website at www.slough.gov.uk or can be obtained from the Section 151 Officer. This statement explains how Slough Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

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 on an annual basis with the latest revision dated 2016.

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 seven core principles of good governance, which we think are compatible with the summary we gave above.

CIPFA/SOLACE lists these core principles as:

1. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law**
2. **Ensuring openness and comprehensive stakeholder engagement**
3. **Defining outcomes in terms of sustainable economic, social and environmental benefits**
4. **Determining the interventions necessary to optimise the achievement of intended outcomes**
5. **Developing the entity's capacity, including the capability of its leadership and the individuals within it**
6. **Managing risks and performance through robust internal control and strong public financial management**
7. **Implementing good practices in transparency, reporting, and audit to deliver effective 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 Corporate Governance Committee and approved by the committee at its meeting on 26th July 2017 through its delegated authority. It is signed by the Leader (an elected Councillor) and Interim Chief Executive (an Officer) and published with the final accounts by 30th September 2017. It was submitted to our external auditors along with our annual accounts in June 2017; the auditors will consider whether the information we've submitted meets their expectations as part of their annual opinion in September 2017.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned. The system of internal 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

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 through our Five Year Plan 2017-2021. The Plan sets out our intended outcomes for citizens and service users, the key actions to deliver these outcomes and how we will measure success
- 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 Financial Procedure Rules and the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks. Updated financial procedure rules were presented and considered at Audit and Governance Committee on 11th October 2017. They were noted and will be submitted to members for approval.
- 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 (April 2016)"
- The Audit and Corporate Governance committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities" (2014)
- Policies for Whistle-blowing, and requirements defined within the Constitution for managing conflicts of interest and for procedures which are available via the Council's website in relation to receiving and investigating complaints from the public
- Demonstrating a commitment to openness and acting in the public interest by exercising leadership through a robust scrutiny function (including the Audit and Corporate Governance and Overview and Scrutiny Committees) and demonstrating openness through the public's ability to attend Council meetings.
- 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 which we follow. These are listed in turn below:

Council

The number of elected Councillors in place at the end of the 2016/17 financial year is 41. The Council met eight times during the year. In June 2016, the Council elected a new leader, Councillor Sohail Munawar. The numbers attending each meeting were as follows:

- 19 Apr 2016: 37 Councillors attended the meeting
- 17 May 2016: 42 Councillors attended the meeting
- 6 Jun 2016: 40 Councillors attended the meeting
- 26 Jul 2016: 38 Councillors attended the meeting
- 27 Sep 2016: 38 Councillors attended the meeting
- 29 Nov 2016: 39 Councillors attended the meeting
- 22 Dec 2016: 32 Councillors attended the meeting
- 31 Jan 2017: 37 Councillors attended the meeting
- 23 Feb 2017: 35 Councillors attended the meeting

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 **Interim Chief Executive** (Roger Parkin) is the person who is ultimately responsible for the welfare of the Council's employees and is Head of Paid Service (Mr Parkin also retains his substantive role as Strategic Director of Customer and Community Services); the role was previously filled for part of the year by Ruth Bagley;
- the **Strategic Director for, Children, Learning and Skills**;
- the **Director, Adult Social Care**;
- the **Assistant Director for Finance and Audit**; and
- the **Interim Strategic Director, Regeneration, Housing & Resources**.

Supporting Officers

- The **Section 151 Officer** (Neil Wilcox) is responsible for looking after the financial affairs of the Council, fulfils the role of Chief Financial Officer and is a CIMA Qualified Accountant. This role was previously filled by Joseph Holmes up to July 2016. From July 2016 to November 2016, this role was filled by an Interim Section 151 Officer, Stephen Fitzgerald until the current post holder commenced in November 2016. 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 (2016) through:

  - Being a key member of the Leadership Team, with a dotted reporting line to the Chief Executive, helping the Council 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 set and reporting on performance against these to CMT and Members;
  - Ensuring the finance function is well led and effectively resourced throughout the year.

- The **Monitoring Officer** (Linda Walker) 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. The current post holder has held the position from September 2016 to date with the post filled by a previous post holder (Gurpreet Anand) from the start of the year until this date.

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 & Corporate Governance Committee

This Committee met four times during the year. The purpose of this Committee is to advise and review the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance, in line with the CIPFA Practical Guidance for Local Authorities (2013). The Committee will also:

- Promote and maintain high standards of conduct by Members.
- Provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- Approve the financial statements.
- Approve the Annual Governance Statement.

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).

This Committee scrutinises a range of policy, financial and performance issues and makes reports and recommendations to Cabinet or full Council.

The Committee also scrutinises the implementation of the community and corporate performance plans, as well as investigating broad policy matters, including reviewing decisions taken or to be taken by the cabinet or Chief Officers under delegated powers.

The Committee is responsible for co-ordinating the consideration of 'member call-ins' where a Councillor requests that a particular issue is considered.

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)	2017
Risk Management Strategy 2016	2016
ICT Strategy 2015-2018	2015
Slough Joint Wellbeing Strategy 2016-2020	2016
Whistleblowing Policy and Procedure	2017
Corporate Plan (Five Year Plan) 2017-21	2017
Slough Wellbeing Strategy 2016-20	2016
Economic Development Strategic Plan for Growth 2014-18	2014
Equalities Strategy 2017	2017
Commissioning Strategy for Adult Social Care 2010	2010
Better Care Fund Plan 2016-17	2016
Safeguarding Adults Multi-Agency Workforce Development	2014

Strategy 2014-17	
Joint Carers Commissioning Strategy 2016-21	2016
Autism Strategy 2014-2017	2014
Learning Disabilities Plan 2016-2019	2016
Voluntary Sector (Partnership) Strategy 2015-2020	2015
Joint Strategic Needs Assessment 2016	2016
Sustainability and Transformation Plan 2016-2020	2016
Corporate Parenting Strategy 2016-2018	2016
Corporate Procurement Strategy 2012	2012
Leisure Strategy 2016	2016
Parks and Open Spaces Strategy 2015-20	2015
Carbon Management Plan 2015-20	2015
Regulatory and Enforcement Services Enforcement Policy 2016	2016
Asset Management Plan 2014-17	2014
Local Transport Plan 2011-26	2011
Housing Revenue Account Business Plan 2016-46	2016
Draft Housing Strategy 2016-21	2016
Housing Allocations Scheme 2013-18	2013
Tenancy Strategy and Policy 2013-18	2013
Medium Term Financial Strategy 2017-21 (included in Revenue Budget)	2017
Capital Strategy 2017-23	2017
Treasury Management Strategy 2017-18	2017

In addition to the above, we are have revised our Anti Fraud and Corruption Strategy and Policy and Confidential Reporting Code, including whistle-blowing arrangements. These polices are available on our website.We acknowledge that some of the HR policies supporting the Constitution were out of date, not sufficiently clear or not appropriately complied with during the year. We are in the process of updating these policies.

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 Five Year Plan was introduced in January 2015 and replaced the previous Corporate Plan. This is reviewed and refreshed on an annual basis, the most recent version being updated in 2017. It was accepted that as a result of the funding challenges the Council faces, we needed a new approach to forward planning over the medium term.

The Plan sets the following overarching **Vision** for the Council:

"Growing a place of opportunity and ambition"

The Plan further outlines the priority outcomes of the Council which, by 2021, is:

- Our children and young people will have the best start in life and opportunities to give them positive lives

- Our people will become healthier and will manage their own health, care and support needs
- Slough will be an attractive place where people choose to live, work and visit
- Our residents will have access to good quality homes
- Slough will attract, retain and grow businesses and investment to provide jobs and opportunities for our residents.

The Plan identifies the challenges and opportunities facing the town, and includes five outcomes to respond to these opportunities and challenges, along with key actions to deliver the outcomes and measures of success. We have chosen to express our Plan in terms of outcomes supported by actions and success measures 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 introduction of the Five Year Plan was important in providing clarity of vision and direction, explaining how and why the council is changing and identifying more effective and efficient ways of working together. The Five Year Plan is updated every year and we also produce an Annual Report so we can check progress. Last year, 2016, we carried out a light-touch refresh of the Five Year Plan to update the actions in the outcome plans and set out how we will work with our partners and communities. This year there has been a more in-depth review. The Leader and Cabinet have worked with officers to define their political priorities and revised the outcomes to reflect these. The Leader has been clear in his foreword about his priority to put people first. We have reduced the number of outcomes from eight to five, combining some where there was overlap and duplication and removing others where they were more about ways of working than tangible outcomes.

The Plan is therefore an important element of our strategic narrative in explaining our ambitions for Slough and how we are delivering major schemes to transform the borough for the better, while at the same time ensuring that vital services for those most in need are provided.

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 Five Year Plan we have established a number of key performance indicators which we use to measure the performance of the Council during the year. These are reported in the form of a balanced scorecard, which is reviewed and updated annually. The following regular reports are received at our Cabinet meetings:

- **Five Year Plan Progress Updates and Annual Report (formerly 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 published a report following the year end detailing how we performed against our targets for 2016/17

We publish, annually:

- The **Statement of Accounts**: The format of these is set by accounting regulations. The council’s accounts are subject to external audit, currently 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, 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 RSM to carry out audits on a number of specific areas that we asked them to review, linking them with our known risk areas.

  To satisfy the requirements of the CIPFA guidance in relation to the role of the Head of Internal Audit, RSM's Head of Internal Audit provides an annual opinion to the council on all aspects covered in relation to governance, risk management and internal control following objective assessments during the year of the adequacy of governance and the management of risks. RSM's Head of Internal Audit is a Partner within RSM, and leads an Internal Audit service which has been independently assessed by the Institute of Internal Auditors (IIA) during 2016 which concluded that the service provided by RSM was fit for purpose.

  The head of Internal Audit also has a functional reporting link into the Audit and Corporate Governance Committee, and a direct link in to both the Chief Executive and Section 151 Officer.

  To comply with good governance on partnership arrangements, the Internal Audit service reports into the Audit and Corporate Governance Committee, and the management of this relationship is through the Council's Section 151 officer.

  For each area of review, internal audit 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 agree management actions for changes to our procedures and governance arrangements. RSM have provided an Annual Report in which it includes all the areas they reviewed; what 'traffic light' they gave and how many [high/medium/low priority] management actions were agreed.

  The Head of Internal Audit Opinion for 2016/17 concluded that 'there were weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective'.

  Positive assurance opinions were provided in 14 of the 27 assurance (33 reports issued in total) reports issued in 2016/17. Of the four 'no assurance' and nine 'partial' assurance opinions issued during the year a number of areas were identified where improvements in the control framework were required. It should also be noted that a number of advisory reviews were also undertaken which identified weaknesses in control, and these, together with the significant issues identified within the no assurance and partial assurance reports have been highlighted within the improvements section below.

- ***External audit:*** The Council's external auditors, BDO, provided an unqualified opinion on the financial statements for the year ended 31 March 2016. However, due to significant weaknesses in children's social care services identified by Ofsted during 2015/16, and insufficient monitoring of contractual performance of the service after it transferred to Slough Children's Services Trust on 1 October 2015, BDO's value for money conclusion was qualified on an 'except for' basis. Except for weaknesses in the arrangements for children's social care services during the year, BDO were satisfied that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness from its use of resources for the year ended 31 March 2016.

- ***Other external assurance sources:*** Sometimes we are reviewed by external bodies that look at certain services such as OFSTED, which provided a review of Children's services, resulting in an inspection in December 2015 with an 'inadequate' rating. This was following the intervention of 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, and creating a new organisation (Slough Children's Services Trust) from 1 October 2015.

The trust has quickly established an accurate view of what needs to change. Managers are rightly prioritising workforce, performance management and the management oversight of practice. Under the decisive leadership of the chief executive of the trust, some important areas of poor practice are being tackled and children are already safer as a result.

- ***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. This process has continued into 2016/17. Due to the implementation of new risk management software a corporate risk register was not presented to CMT for the first nine months of the year, although this is now reported regularly to CMT meetings.
- ***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 implementing recommendations to the Risk Management Group each meeting and to the Audit and Corporate Governance Committee. This process has continued into 2016/17.

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 Corporate Governance 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 Corporate Governance 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 (Heads of Service and Assistant Directors) 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.

While the statements do not make reference to specific actions or audits undertaken, they document the control frameworks currently operating and the changes in process, such as the process to assign responsibility for management actions to ensure accountability for improvements required, and the mechanisms to monitor the implementation, through Senior Management Team meetings for each directorate.

IMPROVEMENTS

In the Annual Governance Statement for 2015/16 we identified a number of areas for improvement. The table below lists them, and comments how we did in addressing them in 2016/17.

Issues reported in 2015/16 AGS	***2016/17 actions taken***	***Is this an issue for 2017/18 and beyond?***
Safeguarding services and Safeguarding outcomes for children and young people (including risk assessments).	Risks remain on the corporate risk register in Children's Social Care following the Ofsted inspection in December 2013 and the follow up in February 2014. An inspection of Children's Services was also undertaken during 2015/16 and the Service continues to be rated as inadequate. From the 1st October 2015 a new organisation, Slough Children's Services Trust, was established with staff previously working with Children's Services transferred to this organisation. The Council and Trust have worked together to develop a joint Ofsted Delivery Plan to address findings of Ofsted inspection and develop good services for vulnerable children. In August 2016 the council and Trust established a Joint Improvement Board (JIB) to monitor the delivery of the plan. The JIB includes all key partners, it meets monthly and is chaired by the Chief Executive of the Council with the Chief Executive of the Trust as the Vice Chair. The DfE attends as observer. The JIB reviews key performance and audit information as well as considering themed reports. There have been two Monitoring visits by Ofsted which have both recognised that progress has been made and the DfE have agreed that Slough no longer requires them to deploy a Commissioner for Children's Social Care.	Yes
Contract Management	This remains a key risk for the Council and continues to be managed by officers and captured on the Strategic Risk Register. In 2016/17 Internal Audit undertook a number of advisory reviews to assist us in developing our contract management arrangements together with carrying out an open book review into significant contracts. This work will continue into 2017/18. We have specifically targeted some of our internal audit coverage to provide some advice and assistance around the transition of significant contracts back into the Council, together with further work to support the development of our contract management framework.	Yes
Continued Economic Instability and Turbulence at a national level.	The Failure to Deliver a Balanced Budget Remains on the Corporate Risk Register for 2016/17 and beyond. The Council has reported a final outturn underspend for 2016/17 of £26,000. We have set ourselves a balanced budget for 2017/18. In 2016/17 we also commissioned our Internal Auditors to undertake a review of our Budgetary Control arrangements together with a review of our key financial controls (including general ledger, creditors and a follow up of previous weaknesses identified within our financial controls audits), and these audits provided only partial assurance over the effectiveness of controls in place for some areas reviewed including budgetary control. We have developed an action plan in response to this audit and are in the process of implementing these actions.	Yes

Managing a mixed economy workforce.	The Council continues to monitor performance through metrics to ensure outcomes are met. We are continuing to ensure that the actions agreed from previous Internal Audit reports in this area are being implemented throughout the Council.	Yes
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. In addition, a 2016/17 Internal Audit review into the Five Year Plan Outcomes provided a positive opinion in relation to the governance arrangements for the monitoring and delivery of outcomes.	Yes
Procurement	During 2016/17 we have continued to use Internal Audit in an advisory capacity to support us in the development of our contract management arrangements including how significant contracts are procured.	Yes
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 negative opinions were provided in the previous year. Further audits of schools have taken place in 2016/17 to continue to drive forward improvements in internal controls, and to engage further with schools over improving safeguarding arrangements. This process will continue to be actively supported by our Audit and Corporate Governance Committee in 2017/18 and beyond. The Council needs to maximise its progress in respect of school improvement in an increasingly disparate education provision environment. We have also requested reviews in relation to Special Educational Needs (SEN) funding at schools and also a review in relation to how the Pupil Premium received by schools is being spent as part of the Internal Audit programme for 2017/18.	Yes
Risk Management	During 2016/17 we have been in the process of implementing new risk management software to aid the Council in the identification, prioritisation, management and reporting of risks within the Council. We have continued to develop our risk management arrangements during 2016/17, working towards implementing the actions agreed in this area by Internal Audit. Whilst acknowledging these improvements an Internal Audit of this area provided only a partial assurance opinion in 2016/17. Whilst we acknowledge that there is further work to be completed, improvements have been made in the processes in place, particularly with regards to developing the role of the Risk Management Group. In 2017/18 we will be further embedding risk management throughout the organisation and using this to support the delivery of our 5 year plan. As part of this, we plan to roll out risk management training to help embed understanding of how to manage risk.	Yes
Asset Register	During 2016/17 we requested our Internal Auditors to undertake a further review of the controls in place around our asset register, and to identify improvements made from the previous year. This review concluded that reasonable assurance can be provided over this area, although it noted that a number of further improvements were still required. We have developed an action plan in conjunction with Internal Audit and these actions will be monitored and implemented throughout 2017/18.	No

In addition to the above, the following significant control issues were identified as part of work undertaken by our Internal Auditors during 2016/17. The table below details both the issue identified together with the actions taken to address these.

Area	*Issues identified during 2016/17*	*Action Taken*
Business Continuity	An internal audit of this area provided a no assurance opinion over the effectiveness of controls in place and highlighted a lack of a robust framework for business continuity management within the Council. A lack of dedicated resource in this area over the last couple of years has resulted in a lack of attention being given to this important area. Furthermore, there were no arrangements for delivering business continuity management training to staff, or to ensure that there is effective monitoring and oversight of business continuity arrangements.	• The Council has reviewed the staffing resource and employed a resource to deal with Business Continuity • An overarching Business Continuity Management policy is in development • It has been agreed that progress against the Internal Audit actions and the plan will be reported monthly to the Risk Management Group.
Information Governance	An internal audit of this area provided no assurance opinion over the effectiveness of controls in place and identified that there was a lack of robust policies and procedures in place to support information governance framework within the Council, and as a consequence of this a number of key information governance requirements, such as data flow mapping were not being undertaken effectively across the Council.	• There has been little progress in this area but staffing levels are being reviewed to strengthen this area and address the agreed actions
Voids Management	An internal audit of our voids management procedures provided a no assurance opinion over the effectiveness of controls in place and highlighted a lack of policies and procedures in place to manage our voids process together with ineffective mechanisms to ensure that key controls are being complied with.	• A recharge process using Capita is currently being used. • Three Performance Indicators were approved by Neighbourhood and Community Scrutiny Panel in January 2017 • There is now an overarching Voids Policy in place • The Voids procedures have been updated and await final approval • The timeliness and the performance of the voids process is now recorded
Fixed Penalty Notice Enforcement	An internal audit of our fixed penalty notice enforcement procedures provided a no assurance opinion over the effectiveness of controls in place as it was not possible to demonstrate that we were managing our contracts effectively and that all income due was being collected.	• The Council can demonstrate that income received is being spent on related functions in line with Government guidance

Health and Safety	An Internal Audit of our health and safety processes provided only partial assurance over the effectiveness of controls in place for this area and identified weaknesses in the reporting of health and safety risks across the Council, together with issues around the compliance with mandatory training not being identified.	• The interim Chief Executive has taken responsibility for the majority of the Management Actions to ensure that they are completed • A member of the Health & Safety Team now attends the Risk Management Group and Health & Safety issues are now on the Corporate Risk register • The Corporate Management Team are currently reviewing the existing service provision. • The Manager's time input has been increased from 1 day to 3 days per week.
Governance – Compliance with the Local Government Transparency Code 2015	An Internal Audit of our compliance with the Local Government Transparency Code 2015 provided only partial assurance over the effectiveness of controls in place for this area. It identified that in a number of areas information which must be published by the Council was not and in a number of further instances the information that was published was out of date.	• Staff members have been assigned to maintain and update the information required • The list of transactions exceeding £500 has been updated • The publication date of the Social Housing Asset Value Spreadsheet has been stated. • The Housing Asset Value spreadsheet is now published at a general level • The Council has updated the detail required on Credit Card payments. • The Contracts Register is being updated to meet the requirements • The categorisation of payments is now consistent with the Local Government Transparency Code
Adult Safeguarding	In 2016/17, we requested that Internal Audit undertook a further review of our adult safeguarding arrangements and this identified that a number of areas of improvement were required. A partial assurance opinion was issued and one high and nine high priority actions were agreed. We have developed an action plan in response to this audit and are in the process of implementing actions to address the weaknesses identified.	• Regular review of delivery of actions at management meetings • Multi-agency audits of safeguarding practice and reporting outcome to statutory Safeguarding Adults Board and executive board • Executive board chaired by Director of Adult Social Care has oversight of safeguarding practice • Plans to establish a joint adult and children's safeguarding business unit to ensure business support elements of safeguarding board functions are managed and improved
Voluntary Sector	An audit of our arrangements for the	• Regular review of delivery of

Commissioning	ensuring the delivery of outcomes through our voluntary sector commissioning arrangements provided only partial assurance over the effectiveness of controls in place.	actions at management meetings • Resetting of the outcomes and outputs for this contract • Regular contract monitoring meetings have been set up • Publishing of delivery against outputs and outcomes.

External audit recommendations

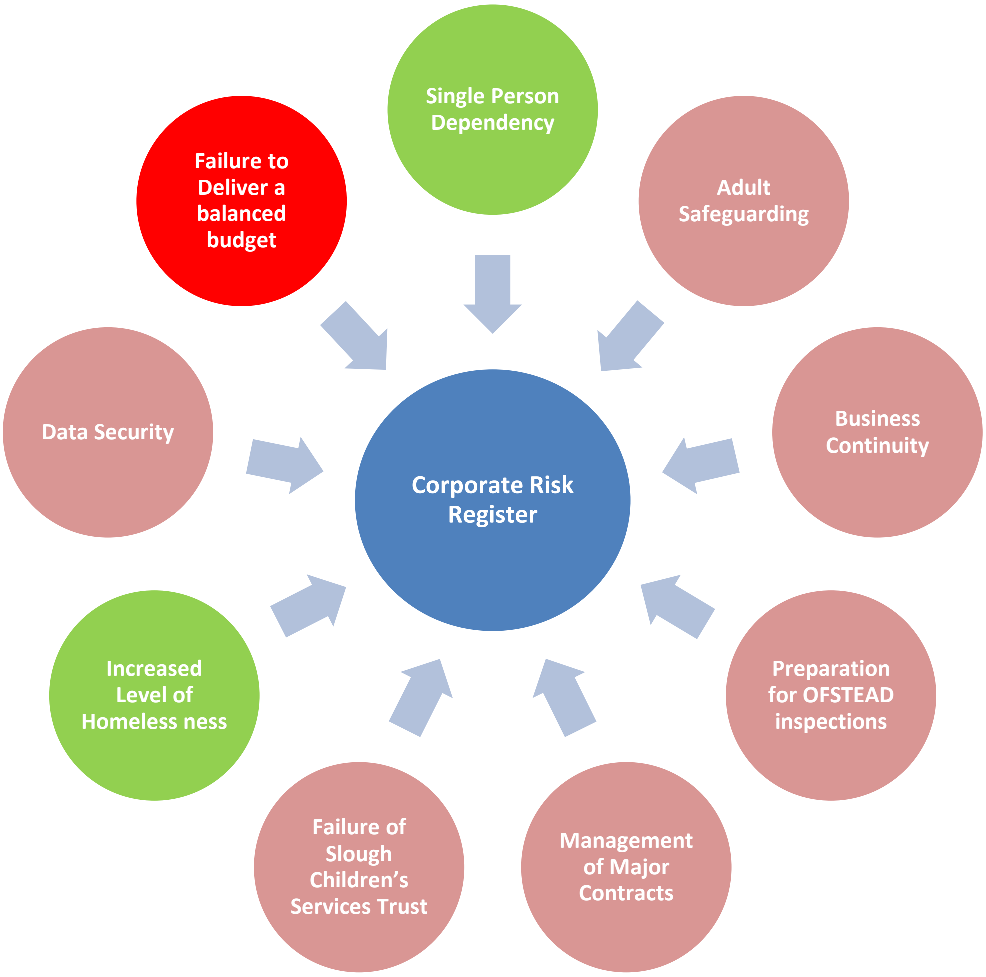
Based on the findings of our external auditors during 2016/17, we acknowledge that the financial statement preparation process on the 2015/16 financial statements was inadequate. Although we have sought to make improvements, we acknowledge that there were continuing weaknesses in the process for preparing the 2016/17 financial statements and underlying working papers. We are in the process of restructuring the finance team, which will improve capacity, enable us to address the main control weaknesses in the accounts closedown process, and prepare for faster close down of the 2017/18 financial statements.

Data Breaches

There were four data breaches in 2016/17 that were reported to the Information Commissioner's Office (ICO). The ICO did not apply any fines for these but made recommendations, which included restating the policy for staff, reviewing processes and carrying out training. Further data breaches in respect of a confidential investigation report and a confidential whistleblowing complaint occurred, and the Council is considering its reporting responsibilities in respect of these issues.

Risk Register

The following risks have been highlighted on the Corporate Risk register as at the 31st March 2017, together with the associated residual risk rating (colour coding):



CONCLUSION

The Council's Audit & Corporate Governance Committee is responsible for providing independent assurance on 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 it has discharged its responsibility, and that this report is evidence of that.

We, the Leader and Interim Chief Executive, undertake over the coming year to continue to improve and monitor our governance arrangements to ensure they are fit for purpose. We acknowledge the weaknesses highlighted above in our governance arrangements and are committed to addressing these during 2017/18 and will reflect and report on their operation and effectiveness as part of our next annual review.

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

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Slough Borough Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2016/17				2015/16 Restated		
		£000	£000	£000		£000	£000	£000
		Expenditure	Income	Net		Expenditure	Income	Net
Wellbeing (Including Schools)		147,882	(96,333)	51,549		138,403	(105,222)	33,181
Children Learning and Skills		36,002	(4,223)	31,779		32,050	(3,650)	28,400
Customer and Community Services		37,987	(8,416)	29,571		28,623	(10,544)	18,079
Resources, Housing and Regeneration		42,037	(14,257)	27,780		33,584	(10,094)	23,490
Chief Executive		5,474	(975)	4,499		4,834	(1,309)	3,525
Corporate Services		77,261	(74,251)	3,010		68,832	(54,240)	14,592
Housing Revenue account		19,229	(40,571)	(21,341)		17,010	(37,970)	(20,960)
Cost of Services	7	**365,872**	**(239,029)**	**126,847**		**341,450**	**(241,143)**	**100,307**
Other Operating Expenditure	11	26,940	0	26,940		15,778	0	15,778
Financing and Investment Income and Expenditure	12	17,680	(4,060)	13,620		17,736	(6,415)	11,321
Taxation and Non-Specific Grant Income and Expenditure	13	18,557	(152,960)	(134,403)		18,404	(154,633)	(136,229)
(Surplus) or Deficit on Provision of Services				**33,004**				**(8,823)**
Surplus on revaluation of Property, Plant and Equipment	14			(79,303)				(82,501)
(Surplus) or deficit on revaluation of available for sale financial assets	27			101				(434)
Remeasurement of the net defined benefit liability	50			56,419				(20,116)
Other Comprehensive Income and Expenditure				**(22,784)**				**(103,051)**
Total Comprehensive Income and Expenditure				**10,220**				**(111,874)**

Slough Borough Council

Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in year on reserve balances held by the Council.

2015/16	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	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 2015	8,143	18,836	24,494	14,194	11,287	53,312	130,266	182,485	312,751
Movement in reserves during year									
Total Comprehensive Income and Expenditure	3,556	0	5,267	0	0	0	8,823	103,051	111,874
Adjustments between accounting basis and funding basis under regulations (Note 9)	(6,288)	0	(695)	4,164	820	6,761	4,762	(4,762)	0
Net Increase/(decrease) before transfers to earmarked reserves	(2,732)		4,572	4,164	820	6,761	13,585	98,289	111,874
Transfers to/(from) Earmarked Reserves (Note 10)	2,690	(2,690)	0	0	0	0	0	0	0
Increase/(Decrease) in Year	(42)	(2,690)	4,572	4,164	820	6,761	13,585	98,289	111,874
Balance as at 31 March 2016	8,101	16,146	29,066	18,358	12,107	60,073	143,851	280,774	424,625

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Movement in Reserves Statement (Continued)

2016/17	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	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 2016	8,101	16,146	29,066	18,358	12,107	60,073	143,851	280,774	424,625
Movement in reserves during year									
Total Comprehensive Income and Expenditure	(43,753)	0	10,749	0	0	0	(33,004)	22,784	(10,220)
Adjustments between accounting basis and funding basis under regulations (Note 9)	34,785		(16,104)	5,317	1,918	(9,393)	16,523	(16,523)	0
Net Increase/(decrease) before transfers to earmarked reserves	(8,968)	0	(5,355)	5,317	1,918	(9,393)	(16,481)	6,261	(10,220)
Transfers to/(from) Earmarked Reserves (Note 10)	8,990	(8,990)	0				0		0
Increase/(Decrease) in Year	22	(8,990)	(5,355)	5,317	1,918	(9,393)	(16,481)	6,261	(10,220)
Balance as at 31 March 2017	8,123	7,156	23,711	23,675	14,025	50,680	127,370	287,035	414,405

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31st March 2017 £'000		31st March 2016 £'000
Property, Plant and Equipment	14	856,229		764,494
Investment Property	15	38,141		22,329
Intangible Assets	16	457		48
Long Term Investments	17	26,470		37,635
Long Term Debtors	19	9,320		4,471
Total Long term Assets		**930,617**		**828,977**
Short term Investments	17	24,053		24,901
Inventories	18	5		5
Short term Debtors	19	34,346		30,592
Cash and Cash equivalents	20	19,800		4,096
Assets Held for Sale	21	0		9,700
Total Current Assets		**78,204**		**69,294**
Short Term Borrowing	17	(67,559)		(4,481)
Other Short term Liabilities	17	(1,818)		(1,841)
Short term Creditors	22	(37,892)		(38,146)
Short term provisions	23	(1,507)		(1,324)
Capital grants received in advance	35	(2,100)		(362)
Total Current liabilities		**(110,876)**		**(46,154)**
Long Term Provisions	23	(223)		(223)
Long term Borrowing	17	(170,370)		(173,371)
Other Long term Liabilities	41/17	(312,945)		(253,898)
Total Long term Liabilities		**(483,538)**		**(427,492)**
Net Assets		**414,405**		**424,625**
Total Usable Reserves	24	127,370		143,851
Total Unusable Reserves	25	287,035		280,774
Total Reserves		**414,405**		**424,625**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2017 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2017.

Neil Wilcox
Assistant Director Finance and Audit (section 151Officer)

Cash Flow Statement at 31 March 2017

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Notes	2016/17 £'000		2015/16 £'000
Net surplus or(deficit) on the provision of services		(33,004)		8,823
Adjustment to surplus on the provision of services for non-cash movements	26	65,320		36,630
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(71,538)		(39,724)
Net cash flows from Operating Activities		**(39,222)**		**5,729**
Investing Activities	**27**	**(9,332)**		**518**
Financing Activities	**28**	**64,258**		**(9,362)**
Net Increase or decrease in cash and cash equivalents		**15,704**		**(3,115)**
Cash and cash equivalents at the beginning of the reporting period		4,096		7,211
Cash and cash equivalents at the beginning of the reporting period		**19,800**		**4,096**

NOTES CONTENTS LIST

NOTE 1 - Statement of Accounting Policies for 2016/17

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017.
The Financial Statements for 2016/17 are prepared in accordance with the Code of practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Reporting Standards (FRS) and where appropriate the International Accounting Standards (IAS).

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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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 materially change the financial position of the council.

ii) Council Tax and Non Domestic Rates Income

Council Tax Income

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be the accrued income for that year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Each major preceptor's share of the accrued Council Tax income is available from the information required to be produced in order to prepare the Collection Fund Statement.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council taxpayers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year, the billing authority will recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor will recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The cash flow statement includes within operating activities only the Council's own share of Council tax net cash collected from council tax debtors in the year. The cash flow statement of a major preceptor will include within operating activities the net council tax received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority in the year will be included within financing activities in the cash flow.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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 Council's cash management.

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 Council'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 non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the revaluation reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation.

However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision, 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 Council.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 relevant service, or, where applicable Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Council. The scheme is therefore accounted for as if it was 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 Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is 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 measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used determined in reference to market yields at balance sheet date of high quality corporate bonds.
- The assets of the Berkshire pension fund attributable to the Council 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 six 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

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – These changes are debited to the Pensions Reserve as Other Income and Expenditure
- 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 Council 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.

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 Council 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 Council 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 Council 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 Council 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 on 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 Council 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.

Available-for-Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.
Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market prices
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – professional estimate

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

ix) Foreign Currency Translation

Where the Council 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 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.

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 Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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 Council 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 Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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) Interest in Companies and other entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint operations during the financial year 2015/16, therefore it has no requirement to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

xiii) 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.

xiv) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. 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.

xv) Joint Arrangements

The Council is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Council and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.
The Council classifies its interests in joint arrangements as either:

- Joint ventures: where the Council has rights to only the net assets of the joint arrangement
- Joint operations: where the Council has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Council considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

For all joint arrangements structured in separate vehicles the Council assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Council to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation).

Where the Council's interests in joint ventures are material, the Council accounts for these interests using the equity method. Any premium paid for an investment in a joint venture above the fair value of the Council's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Where the Council's interests in joint operations are material, the Council accounts for these interests by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

xvi) Leases

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

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

The Council 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 Council 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 Council at the end of the lease period).

The Council 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 Council as Lessor

Finance leases

Where the Council 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 Council'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 Council 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.

xvii) 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 Council'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 Cost of Service.

xviii) 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 Council 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 Council 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 Council). 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 Council.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets at current value estimated at highest and best use from a market participant's perspective.
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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- 46 years for houses, 42 years for flats, operational buildings 1-60 years as determined by the valuer, car parks 60 years

- vehicles, plant and equipment – straight-line allocation over 5-20 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 Council'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 non-current 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.

xix) 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 Council 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 Council at the end of the contracts for no additional charge, the Council 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 Council. 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.

xx) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 Council settles the obligation.

A provision for the best estimate of the amount that businesses have been overcharged up to 31st March 2015 in relation to Business Rates. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and an analysis of successful appeals to date when providing the estimate of the total provision up to and including 31st March 2015.

Contingent Liabilities

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

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

xxi) Reserves

The Council 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 Council – these reserves are explained in the relevant policies.

xxii) 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 Council 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.

xxiii) 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.

xxiv) Local Asset Backed Vehicles

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

The Council's share of the transactions in the LLP's are not material in 2015/16 and therefore the Council has not prepared Group Accounts

When the transactions become material the Council will account 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.

In 2015/16 the Council has accounted for its interest in LLP's on a cost basis.

xxv) Minimum Revenue Provision (MRP)

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003. The guidance is clear that authorities are also free to devise other methods they consider prudent

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

The Council have moved to an annuity basis for both supported and unsupported capital expenditure with effect from 1st April 2016. This will reduce the MRP charged in this and future years. This change in policy has been agreed at full council during February 2017. Using the annuity method to calculate MRP will lead to higher CFR profile and if the revenue savings generated by the lower MRP are spent each year, rather than being banked in reserves, then cash balances will fall by an equal sum. This could lead to increased short term borrowing costs, although with short term interest rates forecast to remain low, the effect will be much smaller than the MRP savings identified

MRP in respect of leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

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

The 2017/18 Code of Practice introduced the following new standards that were issued on or before 1st January 2017 but not adopted until 2017/18.

- Amendments to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

The 2017/18 Code has not introduced any new standards that are applicable to the Council..

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies laid out in Note 1, 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 and the impact of the decision for Britain to leave the European Union remains unclear. These pressures will be mitigated by further service area and corporate savings. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2021. As a consequence, 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. Property prices within Slough are such that any operational properties deemed surplus to requirements are unlikely to be disposed of for less than their current fair value.

(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 ran until 31st May 2017. Our new Leisure provider is Everyone Active. It had been determined that the Council did not have control of the Trust and there were not an associate of the Council.

(c) Schools Non-Current Assets – The Council recognises Schools in line with the appropriate accounting standards, and they 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 normally 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) and voluntary aided (VA) 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.
- Academy Schools - Academy schools staff are appointed by the schools' governing body, which 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.
- Foundation Trust schools – Where the ownership of a Foundation Trust School or a Foundation School lies within a charitable trust, the school is not recognised on the Council's balance sheet. Where the ownership lies with the school or the school's governing body the school is recognised on the Council's balance sheet.

(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 THE FUTURE 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 2017 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, and Investment Property	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. 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. In order to meet the objective of IFRS 13 (Fair Value Measurement) the valuers have worked on the basis that all reasonably available information has been taken into account. Investment property, and surplus assets based on highest and best use were valued at fair value. The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions	The total depreciation charged in 2016/17 is £15.7m and the net book value of property, plant and equipment at 31 March 2017 is £856.2m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. £79.3m revaluation increases have been credited to the revaluation reserve and £5.2m revaluation increases/impairment reversals and £0.32m fair value adjustments have been credited to the surplus on provision of services in 2016/17.

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. These are set out in Note 41.
Business Rates (NNDR)	2016/17 is the fourth year of the Business Rates Retention Scheme. Slough retains 49% of the NNDR Income it collects (£48.4m out of £99m) but is subject to an £18.6m tariff. Following the 2010 Revaluation of business hereditaments, when average Rateable Values across Slough rose we have seen unprecedented levels of appeals – the success of which are negatively impacting on the yield. A provision has been made for the estimated successes of future appeals for losses for the period to the end of March 2017. A safety net system protects the Council from losses below baseline funding levels of £5m.	The Council's overall financial losses are protected by the Safety Net with any variance to our assumptions affecting the scale of the provision but being offset by a movement in the Safety Net entitlement.
Impairments for Bad Debts	As at 31st March 2017 the Council had an outstanding balance of short term debtors totaling £34.4m. A review of the major areas of debt has led to an updated impairment against doubtful debts. It is not certain that the provision would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The provisions held are based on policies adapted to the nature of the debt and service area, past experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its doubtful debt impairment.

NOTE 5: MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this note the Council considers material items to be around £6m.
The Council has the following item:

The Council pays an annual management fee to an external third party, arvato to manage its IT, customer services and transactional finance. This amounts to £10.51m for 2016/17 (£10.54m in 2015/16).

The Council also pays an annual fee of £24m to Slough Childrens Trust. This is a part year cost as the agreement come into force on 1st October 2016.

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the S151 officer on 30 June 2017. Events taking place after this date are not reflected in the Financial Statements or notes

The 5 year revaluation to adjust the ratable value of business properties to reflect changes in the property market came in to effect on 1st April 2017.

The General Election on 8 June 2017 was followed by the Queens Speech being delivered on 21st June 2017. The Speech focused on the legislation that will need to be introduced to accommodate Brexit. At this stage the legislative programme gives no insight into the form that Brexit will take, simply the legislation that will be required to make it happen. There is no mention of the Local Government Finance Bill or whether it will be reintroduced in this parliamentary session. This does not necessarily mean that it has been dropped.

Note 7 - Expenditure and Funding Analysis

2015/16				2016/17		
Expenditure Chargeable to GF and HRA balances	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA balances	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
33,733	552	33,181	Wellbeing (including Schools)	32,600	19,949	51,549
28,400	0	28,400	Children Learning and Skills	31,779	0	31,779
18,079	0	18,079	Customer and Community Services	17,519	12,052	29,571
23,490	0	23,490	Resources, Housing and Regeneration	27,780	0	27,780
3,525	0	3,525	Chief Executive	4,418	81	4,499
20,328	5,736	14,592	Corporate Services	(693)	3,703	3,010
(20,265)	695	(20,960)	Housing Revenue Account	(5,237)	16,104	(21,341)
107,290	6,983	100,307	Net Cost of Services	108,166	(18,681)	126,847
15,778		15,778	Other Operating Income and Expenditure	26,750		26,940
11,321		11,321	Financing and Investment Income and Expenditure	13,530	0	13,620
(136,229)		(136,229)	Taxation and Non-Specific Grant Income and Expenditure	(134,403)		(134,403)
(109,130)	0	(109,130)	Other Income and Expenditure	(93,843)	0	(93,843)
(1,840)	6,983	(8,823)	(Surplus) or Deficit on Provision of Service	14,043	(18,681)	33,004
(51,473)		(51,473)	Opening General Fund and HRA balances	(53,313)		(53,313)
(1,840)		(1,840)	Less Deficit or (Surplus) on General Fund and HRA Balance in Year	14,043		14,043
(53,313)		(53,313)	Closing General Fund and HRA Balance at 31 March	(38,990)		(38,990)

Note 7 - Expenditure and Funding Analysis (continued)

2015/16					2016/17			
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000		£'000	£'000
2,833	1,657		4,490	Wellbeing (including Schools)	20,431	753		21,189
				Children Learning and Skills				
1,545	474		2,019	Customer and Community Services	12,052	303		12,355
(1,479)	425		(1,054)	Resources, Housing and Regeneration	6,071	300		6,371
61	144		205	Chief Executive	81	139		220
0	(6,365)		(6,365)	Corporate Services	0	(4,491)		(4,491)
0	0		0	Housing Revenue Account	0	0		0
2,961	(3,665)		(705)	Net Cost of Services	38,635	(2,996)		35,639
				Other Operating Income and Expenditure				
				Financing and Investment Income and Expenditure				
				Taxation and Non-Specific Grant Income and Expenditure				
2,961	-3,664		(704)	Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	38,635	-2,996		35,639

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For service** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and Investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognized under statute.

- For **Financing and investment income and expenditure** the other differences column recognizes adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognized under generally accepted accounting practices in the code This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection fund.

Note 7 – Segmental Income

Income received on a segmental basis is analysed below

	2016/17 £'000	2015/16 £'000
Wellbeing	12,052	17,383
Children Learning and Skills	1,163	2,725
Customer and Community Services	5,626	7,872
Resources, Housing and Regeneration	14,716	7,536
Chief Executive	189	977
Housing Revenue Account	37,437	28,347
Corporate	3,067	860
Total Income analysed on a segmental basis	74,250	65,699

Note 8 - Expenditure and Income by Nature

	2015/16	2016/17
	£'000	£'000
Expenditure		
Employee Benefits Expenditure	104,754	80,337
Other Service Expenditure	228,692	265,407
Depreciation, Amortisation, Impairment	8,570	20,816
Interest Payments	17,170	16,992
Precept and Levies	198	216
Payments to Housing Capital Receipts Pool	852	1,721
Gain on the Disposal of Assets	14,728	25,003
Other Expenditure	18,404	18,557
Income		
Fees Charges and Other Service Income	(65,699)	(74,250)
Interest and Investment Income	(1,959)	(2,007)
Income for Council Tax, non-domestic rates, district rate income	(94,493)	(97,727)
Government grants and Contributions	(235,584)	(221,718)
Other Income	(4,456)	(343)
Surplus) or Deficit on the Provision of Services	**(8,823)**	**33,004**

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves					
2016/17	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
AmountsbywhichincomeandexpenditureincludedintheComprehensiveIncomeandExpenditureStatementaredifferentfrom revenuefortheyearcalculatedinaccordancewithstatutoryrequirements.						
Pension cost transferred from the Pensions Reserve	4,011	434				(4,445)
Financial Instruments transferred from the Financial Instruments Adjustments Account	(241)	(120)				361
Council tax and NDR transfers from the Collection Fund	1,113					(1,113)
Holiday pay transferred from the Accumulated Absences reserve)	(12)	0				12
Reversal of entries included in the Surplus on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	63,589	15,989				(79,578)
Total Adjustments to Revenue Resources	68,460	16,303				(79,578)
AdjustmentsbetweenRevenueandCapitalResources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(17,071)	(11,328)	28,399			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	461	(83)	(378)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,721		(1,721)			
Posting of HRA resource from revenue to the Major Repairs Reserve		(12,496)		12,496		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(1,841)					1,841
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,021)	(8,500)				9,521
Total Adjustments to Revenue Resources	(17,751)	(32,407)	26,300	12,496		11,362
AdjustmentstoCapitalResources						
Use of the Capital Receipts Reserve to finance capital expenditure			(11,283)			11,283
Use of the Major Repairs Reserve to finance new capital expenditure				(10,578)		10,578
Application of capital grants to finance capital expenditure	(15,924)				(9,393)	25,317
Cash payments in relation to deferred capital receipts			(9,700)			9,700
Total Adjustments to Capital Resources	(15,924)		(20,983)	(10,578)	(9,393)	56,878
Total Adjustments	34,785	(16,104)	5,317	1,918	(9,393)	(16,523)

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amountsbywhichincomeandexpenditureincludedinthe ComprehensiveIncomeandExpenditureStatementaredifferentfrom revenuefortheyearcalculatedinaccordancewithstatutoryrequirements.						
Pension cost transferred from the Pensions Reserve	3,402	341	0	0	0	(3,743)
Financial Instruments transferred from the Financial Instruments Adjustments Account	(253)	(128)	0	0	0	381
Council tax and NDR transfers from the Collection Fund	1,539	0	0	0	0	(1,539)
Holiday pay transferred from the Accumulated Absences reserve)	(552)	0	0	0	0	552
Reversal of entries included in the Surplus on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	20,162	16,653	0	0	0	(36,815)
Total Adjustments to Revenue Resources	24,298	16,866	0	0	0	(41,164)
AdjustmentsbetweenRevenueandCapitalResources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(6,539)	(7,103)	13,642	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	142	65	(207)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	852	0	(852)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(10,523)	0	10,523	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(3,252)	0	0	0	0	3,252
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,033)	0	0	0	0	1,033
Total Adjustments to Revenue Resources	(9,830)	(17,561)	12,583	10,523	0	4,285
AdjustmentstoCapitalResources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(5,219)	0	0	5,219
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(9,703)	0	9,703
Application of capital grants to finance capital expenditure	(20,756)	0	0	0	6,761	13,995
Cash payments in relation to deferred capital receipts	0	0	(3,200)	0	0	3,200
Total Adjustments to Capital Resources	(20,756)	0	(8,419)	(9,703)	6,761	32,117
Total Adjustments	(6,288)	(695)	4,164	820	6,761	(4,762)

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Note 10 Transfers to/from Earmarked Reserves

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

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	Balance Balance as at 1 April 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance Balance as at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance Balance as at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Insurance Fund	516	0	(516)	0	0	0	0
Future Debt and Capital Requirement	972	780	(555)	1,197	0	(1,197)	0
Statutory Property Fund and Landlord Function	250	0	0	250	0	(250)	0
Capital Fund	651	987	(1,033)	605	0	(253)	352
Trading Accounts	24	0	0	24	0	0	24
Specific Grants (Revenue)	554	25	(110)	469	0	(302)	167
Other Specific Earmarked Reserves	7,956	786	(3,085)	5,657	730	(2,121)	4,266
Housing Renewals Reserve	86	1	0	87	2	0	89
Schools	7,827	14,082	(14,052)	7,857	0	(5,599)	2,258
	0	0	0	0	0	0	0
Total General Fund	**18,836**	**16,661**	**(19,351)**	**16,146**	**732**	**(9,722)**	**7,156**

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Note 11 – Other Operating Expenditure

	2016/17 £000	2015/16 £000
Parish council precepts	216	198
Payments to the Government Housing Capital Receipts Pool	1,721	852
Losses on the disposal of non- current assets	25,003	14,728
	26,940	15,778

(Gain)/Loss on Non-Current Assets (excluding Investment Properties)

	2016/17 £000	2015/16 £000
Net Proceeds from Sale General Fund	(1,7071)	(6,539)
Net proceeds from sale HRA	(11,328)	(7,103)
Disposal costs General Fund	295	142
Disposal costs HRA	83	65
Carrying amount of non-current assets sold (excluding Investment Properties)	53,024	28,163
	25,003	14,728

Note 12 – Financing and Investment Income and Expenditure

	2016/17 £000	2015/16 £000
Interest payable and similar charges	9,651	9,895
Net interest on the net defined benefit liability	7,341	7,275
Interest receivable and similar income	(2,007)	(1,959)
Income and expenditure in relation to investment properties and changes in their fair value	(1,365)	(3,890)
Total	13,620	11,321

Interest Payable and Similar Charges

	2016/17 £000	2015/16 £000
Lease/hire purchase interest	62	165
Loan Interest	2,118	2,058
Service concession Interest	3,008	3,194
HRA Self Financing Interest	3,978	4,319
Other interest	485	159
	9,651	9,895

Income, Expenditure and changes in Fair Value of Investment Properties

Income/Expenditure from Investment Properties:	2016/17 £000	2015/16 £000
Income including rental income	(1,731)	(1,520)
Expenditure	619	566
Net income from investment properties	(1,112)	(954)
Surplus/deficit on sale of Investment Properties:		
Proceeds from sale	0	0
Carrying amount of investment properties sold	69	745
Deficit on sale of Investment Properties:	69	745
Changes in Fair Value of Investment Properties	(322)	(3,681)
	(1,365)	(3,890)

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Note 13 – Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure	2016/17 £000	2015/16 £000
Income		
Council Tax Income	(49,075)	(46,923)
Non Domestic Rates Income and expenditure	(30,095)	(29,166)
Non-ring fenced government grants	(28,106)	(33,851)
Capital Grants and Contributions	(27,127)	(26,289)
Total Taxation and Non-Specific Grant Income and Expenditure	(134,403)	(136,229)

NNDR income/expenditure	2016/17 £000	2015/16 £000
Income:		
Current year	(48,652)	(47,570)
Total NDR Income	(48,652)	(47,570)
Expenditure:		
Levy and Tariff	18,557	18,404
Total NDR Expenditure	18,557	18,404

Capital Grants and Donated Assets-Applied	2016/17 £000	2015/16 £000
Government & Other Grants-Conditions met and applied in year	(11,203)	(5,533)

Capital Grants-Unapplied	2016/17 £000	2015/16 £000
Government & Other Grants-Conditions met and not applied	(15,924)	(20,756)
Total	(15,924)	(20,756)

Total Capital Grants and Contributions	(27,127)	(26,289)

Council Tax	2016/17 £000	2015/16 £000
Current year	(49,075)	(46,123)
Other Movement	0	(800)
Total	(49,075)	(46,923)

Non-ring fenced revenue grants	2016/17 £000	2015/16 £000
Revenue Support Grant	(18,477)	(24,006)
PFI	(3,677)	(3,678)
New Homes Bonus	(3,704)	(2,679)
Local Services Support Grant	(38)	(52)
Council Tax Freeze Grant	0	(514)
Education Services Grant	(1,292)	(1,464)
Section 31 Grant	(918)	(1,458)
Total	(28,106)	(33,851)

Note 14 Property, Plant and Equipment

	Property, Plant & Equipment (PP&E)														
	Council Dwellings £000	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**	**Service Concession Assets included within PPE and Intangible assets £000**	**Investment Properties £000**	**Internally Generated Assets £000**	**Other Assets £000**	**Total Intangible Assets £000**	**TOTAL £000**
Cost or Valuation															
Balance as at 1 April 2016	433,683	0	189,441	51,754	102,862	7,300	25,810	11,719	**822,569**	**65,107**	**22,329**	**0**	**578**	578	**845,476**
Adjustments between cost/value & depreciation/impairment	0	0		0	0	0	0		**0**			**0**	**0**	**0**	**0**
Adjusted opening balance	**433,683**	**0**	**189,441**	**51,754**	**102,862**	**7,300**	**25,810**	**11,719**	822,569	65,107	22,329	0	578	578	845,476
Additions (Note 41)	16,100	0	13,978	1,208	16,071	900	27,994	198	**76,449**	319	15,669	0	421	421	**92,539**
Donations	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Revaluation increases/decreases to Revaluation Reserve	53,083	0	12,202	826		0	0	13,193	**79,304**	942	0	0	0	0	**79,304**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	9,034	0	(14,260)	(123)	0	0	0	193	**(5,156)**	42	322	0	0	0	**(4,834)**
Derecognition - Disposals	(15,600)	0	(21,048)	(4,573)	0	0	0	(2,472)	**(43,693)**	(24,066)	(69)	0	0	0	**(43,762)**
Derecognition - Other	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Reclassifications & Transfers	0	0	2,885	0	0	0	0	(2,775)	**110**		(110)	0	0	0	**0**
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Other movements	(1,079)	0	12,098	6,195	0	0	(24,674)	7,460	**0**		0	0	0	0	**0**
Balance as at 31 March 2017	**495,221**	**0**	**195,296**	**55,287**	**118,933**	**8,200**	**29,130**	**27,516**	**929,583**	**42,344**	**38,141**	**0**	**999**	**999**	**968,723**
Depreciation and Impairment															
Balance as at 1 April 2016	(6,349)	0	(3,998)	(28,286)	(19,180)	(16)	(1)	(245)	**(58,075)**	(6,455)	0	0	**(530)**	(530)	**(58,605)**
Adjustments between cost/value & depreciation/impairment		0	0	0	0	0	0	0	**0**		0	**0**	**0**	**0**	**0**
Adjusted opening balance	(6,349)	0	(3,998)	(28,286)	(19,180)	(16)	(1)	(245)	**(58,075)**	(6,455)	0	0	(530)	(530)	**(58,605)**
Depreciation Charge	(8,366)	0	(3,124)	(1,605)	(2,438)	0	(1)	(114)	**(15,648)**	(982)	0	0	(12)	(12)	**(15,660)**
Depreciation written out on Revaluation Reserve	0	0	0	0		0	0	0	**0**		0	0	0	0	**0**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Derecognition - Disposals	32	0	204	115	0	0	0	18	**369**	308	0	0	0	0	**369**
Derecognition - Other	0	0	0	0	0	0	0	0	**0**		0	0	0	0	**0**
Reclassifications & Transfers	8	0	266	38	0	0	0	(312)	**0**	0	0	0	0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0	**0**		0	0	0	**0**	**0**
Balance as at 31 March 2017	**(14,675)**	**0**	**(6,652)**	**(29,738)**	**(21,618)**	**(16)**	**(2)**	**(653)**	**(73,354)**	**(7,129)**	**0**	**0**	**(542)**	**(542)**	**(73,896)**
Net Book Value															
Balance as at 31 March 2017	**480,546**	**0**	**188,644**	**25,549**	**97,315**	**8,184**	**29,128**	**26,863**	**856,229**	**35,215**	**38,141**	**0**	**457**	**457**	**894,827**
Balance as at 31 March 2016	**427,334**	**0**	**185,443**	**23,468**	**83,682**	**7,284**	**25,809**	**11,474**	**764,494**	**58,652**	**22,329**	**0**	**48**	**48**	**786,871**

Note 14 Comparative Year

	Property, Plant & Equipment (PP&E)												
	Council Dwellings £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**	**Service Concession Assets included within PPE £000**	**Investment Properties £000**	**Other Assets £000**	**Total Intangible Assets £000**	**TOTAL £000**
Cost or Valuation													
Balance as at 1 April 2015	374,735	177,569	49,030	97,738	7,025	13,906	13,827	733,830	56,574	13,588	578	578	**747,996**
Adjusted opening balance	**374,735**	**177,569**	**49,030**	**97,738**	**7,025**	**13,906**	**13,827**	**733,830**	**56,574**	**13,588**	**578**	**578**	**747,996**
Additions (Note 41)	16,993	8,004	980	5,124	275	11,904	46	**43,326**	133	8,110	0	0	**51,436**
Accumulated Depreciation and Impairment written off to GCA	(7,486)	(2,343)	(1,028)	0	0	0	(728)	**(11,585)**		**0**	0	0	**(11,585)**
Revaluation increases/decreases to Revaluation Reserve	56,442	20,575	3,019	0	0	0	2,465	**82,501**	8,442	0	0	0	**82,501**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	8,323	211	(247)	0	0	0	(1,188)	**7,099**	(42)	3,681	0	0	**10,780**
Derecognition - Disposals	(12,472)	(4,031)	0	0	0	0	(8,704)	**(25,207)**		(745)	0	0	**(25,952)**
Reclassifications & Transfers	(2,852)	(844)	0	0	0	0	6,001	**2,305**	0	(2,305)	0	0	**0**
Reclassified to/from Held for Sale	0	(9,700)	0	0	0	0	0	**(9,700)**	0	0	0	0	**(9,700)**
Other movements	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Balance as at 31 March 2016	**433,683**	**189,441**	**51,754**	**102,862**	**7,300**	**25,810**	**11,719**	**822,569**	**65,107**	**22,329**	**578**	**578**	**845,476**
Depreciation and Impairment													
Balance as at 1 April 2015	(6,367)	(3,499)	(26,610)	(17,010)	(16)	(1)	(859)	**(54,362)**	(6,455)	0	(514)	(514)	**(54,876)**
Adjusted opening balance	(6,367)	(3,499)	(26,610)	(17,010)	(16)	(1)	(859)	**(54,362)**	(6,455)	0	(514)	(514)	**(54,876)**
Depreciation Charge	(7,587)	(3,078)	(2,704)	(2,170)	0	0	(114)	**(15,653)**		0	(16)	(16)	**(15,669)**
	7,486	2,343	1,028				728	**11,585**				0	**11,585**
Derecognition - Disposals	119	236	0	0	0	0	0	**355**		0	0	0	**355**
Balance as at 31 March 2016	**(6,349)**	**(3,998)**	**(28,286)**	**(19,180)**	**(16)**	**(1)**	**(245)**	**(58,075)**	**(6,455)**	**0**	**(530)**	**(530)**	**(58,605)**
Net Book Value													
Balance as at 31 March 2016	**427,334**	**185,443**	**23,468**	**83,682**	**7,284**	**25,809**	**11,474**	**764,494**	**58,652**	**22,329**	**48**	**48**	**786,871**
Balance as at 31 March 2015	**368,368**	**174,070**	**22,420**	**80,728**	**7,009**	**13,905**	**12,968**	**679,468**	**50,119**	**13,588**	**64**	**64**	**693,120**

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Note 14 Property, Plant and Equipment

Capital Commitments

At 31 March 2017, the Council has committed to projects for the construction or enhancement of Property, Plant and Equipment in 2017-18 and future years budgeted to a cost of £128.429m (31 March 2016 £53.807m). The major commitments at 31 March 2017 are:

	£000s
Schools Primary Extension	7,113
Town Hall Conversion	4,993
SEN Resource Expansion	3,564
Special School Extension	4,124
Secondary Expansion Programme	10,543
New Ice	10,349
Leisure Centre Farnham Road	11,092
Langley Leisure Centre	6,226
Salt Hill Leisure	5,142
Affordable Housing	10,699
LED Street Lighting Upgrade	4,602
A332 Windsor Road Widening LEP Scheme	12,631
Burnham Station LEP	2,881
TVU Development	7,920
Strategic Acquisition Fund	26,540
	144,436

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 2016/17 (2015/16 £nil).

Revaluations

The freehold and leasehold properties comprising the Council's operational and non-operational property portfolio at the 31 March 2017 are valued on a rolling programme basis. The valuations for 2016/17 were carried out by external valuers Wilkes Head and Eve.

- 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 valuation of the Council's surplus land asset assumes it is comparable to similar assets in the local market with planning permission. This is a level 2 valuation under the Fair Value hierarchy.

The following table shows the progress of the Council's rolling programme for the revaluation of Council Dwellings, land and buildings at 31 March 2017.

Description	Council Dwellings	Land and Buildings	VPE	Surplus Assets	**Total**
Valued at historical cost	7,545	13,978	10,827	198	32,548
2016-17	472,486	122,298	14,722	26,664	636,170
2015-16	426	23,018		0	23,444
2014-15	155	5,468		0	5,623
2013-14	54	11,682		0	11,736
2012-13	0	12,199		0	12,199
Category Total	480,665	188,643	25,549	26,862	721,720

Note 15 Investment Properties

Income/Expenditure from Investment Properties:		
	2016/17	2015/16
	£000	£000
Rental income from investment property	(1,731)	(1,520)
Direct operating expenses arising from investment property	619	566
Net Gain	(1,112)	(954)

There are no restrictions on the Council’s ability to realise the value inherent in its investment property or on the Council’s right to the remittance of income and the proceeds of disposal. There are contractual obligations on the Council to repair and maintain certain investment properties and these have been included in the relevant property valuations.

Investment properties are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually according to market conditions at the year end.

There is limited activity within the local market for equivalent properties.
As the local rental yield is based on one recent transaction the valuations have been categorised as level 2 of the fair value hierarchy.

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

	2016/17 £000	2015/16 £000
Balance at start of the year	22,329	13,588
Additions:	)	
- Purchases	15,669	8,110
Disposals	(69)	(745)
Net gains/losses from fair value adjustments	322	3,681
Transfers:		
- from Assets Held for Sale	0	0
- to/from Property, Plant and Equipment	(110)	(2,305)
Balance at end of the year	38,141	22,329

Note 16 Intangible Assets

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £12k (£16k in 2015/16) charged to revenue in the current year was charged to the IT 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 Authority are

Useful Lives		Other
5 years	Civica and Unit 4 Software Licenses	

The Movement in Intangible Assets for the Year is as Follows

	2016/17			2015/16		
	Other Assets	Software Licenses	Total	Other Assets	Software Licenses	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
· Gross carrying amounts	0	578	578	0	578	578
· Accumulated amortisation	0	(530)	(530)	0	(514)	(514)
Net carrying amount at start of year	0	48	48	0	64	64
Additions:						
· Purchases	0	421	421		0	0
	0	469	469	0	64	64
Amortisation for the period	0	(12)	(12)	0	(16)	(16)
Net carrying amount at end of year	0	457	457	0	48	48
Comprising:						
· Gross carrying amounts	0	999	999	0	578	578
· Accumulated amortisation	0	(542)	(542)	0	(530)	(530)
	0	457	457	0	48	48

Note 17 Financial Instruments

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

Financial Liabilities

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

The Council's non derivative liabilities held during the year are measured at amortised cost and comprised:

- Long term loans from the Public Works Loans Board and commercial lender
- Short term loans from other local authorities.
- Finance leases detailed in note 38
- Private Finance Initiative contracts detailed in note 39
- Trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications:

- Loans and Receivables
- Available for Sale

The Council does not hold any financial assets or liabilities at fair value through profit and loss.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash in hand
- Bank current and deposit accounts with Lloyds Bank
- Impaired investments in Icelandic banks
- Loans to other local authorities
- Loans made to community organisations and other bodies for service purposes (Including soft loans)
- Lease receivables detailed in note 38
- Trade receivables for goods and services delivered

Available for sale financial assets are those that are quoted in an active market. The Council has money market funds and other collective investment schemes which meet this definition but are classed as cash and cash equivalents due to their highly liquid nature.

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

	Long Term		Short Term	
	31/03/17	31/03/16	31/03/17	31/03/16
Financial Liabilities	£'000	£'000	£'000	£'000
Loans at amortised cost	(170,370)	(173,371	(67,559)	(4,481)
PFI Liabilities	(35,087)	(35,815)	(729)	(730)
Finance Lease Liabilities	(7,653)	(8,742)	(1,089)	(1,111)
Creditors	0	0	(21,178)	(34,287)
Total Financial Liabilities	(213,110)	(217,928)	(90,555)	(40,609)

The Financial assets disclosed in the Balance Sheet are analysed across the following categories.

	Long Term		Short Term	
	31/03/17	31/03/16	31/03/17	31/03/16
Financial Assets	£'000	£'000	£'000	£'000
Loans and receivables	15,366	18,514	13,675	11,872
Available for sale financial assets	11,892	19,121	9,590	
Total Investments	26,470	37,635	29,053	24,901
Cash and Cash equivalents	0	0	19,800	4,096
Trade Receivables	9,320	4,471	18,101	9,589
Total Financial Assets	61,190	42,106	76,043	38,586

The Council has a legally enforceable right to set off its bank accounts in credit against its bank overdraft balance. This is reflected on the Balance Sheet.

Financial Instruments – gains and losses

The gains and losses recognised in the CIES in relation to financial instruments consist of the following items.

	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Total
2016/17	£'000	£'000	£'000	£'000
Interest Expense	9,979	0	0	9,657
Total expense in Surplus on the Provision of Services	9,651	0	0	9,657
Interest income	0	(2,007)	0	(2,007)
Losses on revaluation	0	0	100	100
Total income in Deficit on the Provision of Services	0	0	0	0
Net (gain)/loss for the year	965	(2,007)	100	7,744

	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Total
2015/16	£'000	£'000	£'000	£'000
Interest Expense	9,960	0	0	9,960
Total expense in Surplus on the Provision of Services	9,960	0	0	9,960
Interest income	0	(1,959)	0	(1,959)
Gains on revaluation	0	(434)	0	(434)
Total income in Surplus on the Provision of Services	0	(434)	0	(434)
Net (gain)/loss for the year	9,960	(2,393)	0	7,567

Financial instruments – fair values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial assets classified as loans and receivables and all non- derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31st March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The value of 'Lender's Option Borrower's Option' (LOBO) loans has been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate
- The fair values of other long term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument
- The fair value of short-term instruments including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the tables below, split by their level in the fair value hierarchy as follows

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability
  e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Level	Fair Value		Carrying Amount	
		31/03/17	31/03/16	31/03/17	31/03/16
		£'000	£'000	£'000	£'000
PWLB Loans	2	(193,475)	(180,330)	(160,656)	(164,649)
LOBO Loans	2	(22,495)	(20,057)	(13,202)	(13,203)
Temporary Loans	2	(64,071)	0	(64,071)	0
Lease Payables	2	(7,773)	(8,415)	(8,742)	(9,853)
PFI Liability	2	(57,962)	(56,233)	(35,816)	(36,545)
Total		(345,776)	(265,035)	(282,487)	(224,250)
Liabilities for which fair value is not disclosed				(21,178)	(34,287)
Total financial liabilities				(303,665)	(258,537)
Recorded on the balance sheet as:					
- Short term creditors				(21,178)	(34,287)
- Short term borrowing				(67,559)	(4,481)
- Long term creditors				0	0
- Long term borrowing				(170,370)	(173,371)
- Other Short Term Liabilities				(1,818)	(1,841)
- Other long term liabilities				(42,740)	(44,557)
Total financial liabilities				(303,665)	(258,537)

The fair value of financial liabilities held at amortised cost is higher than their Balance Sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for their similar loans as at the Balance Sheet date.

	Level	Fair Value		Carrying Amount	
		31/03/17	31/03/16	31/03/17	31/03/16
		£'000	£'000	£'000	£'000
Money Market funds	2	6,582	3,627	6,582	3,627
Bank & Building Society deposits	2	0	13,154	0	13,154
Pooled Funds	2	14,157	19,604	14,445	20,002
Covered Bonds	2	7,086	7,075	7,038	7,087
Loans to local authorities	2	15,220	19,268	15,153	19,160
Loans to companies	2	13,887	3,410	13,887	3,410
Total		56,932	66,138	57,105	66,440
Assets for which fair value is not disclosed				29,605	14,252
Total financial assets				86,710	80,692
Recorded on the balance sheet as:					
- Short term debtors				18,101	9,589
- Short term investments				24,053	24,901
- Long term debtors				9,320	4,471
- Long term investments				26,470	37,635
- Cash and cash equivalents				19,800	4,096
Total financial assets				86,710	80,692

Note 18 Inventories

Central Stores	Total 31/03/17 £000	31/03/16 £000
Balance outstanding at start of year	5	5
Balance outstanding at year end	5	5

Note 19 Debtors

	Long term debtors 2016/17 £000	2015/16 £000	Short term debtors 2016/17 £000	2015/16 £000
Central Government Bodies	0		7,491	6,056
Other Local Authorities	0	0	941	1,106
NHS Bodies	0	0	2,185	128
Other entities and individuals	9,320	4,471	23,729	23,302
Total	**9,320**	**4,471**	**34,346**	**30,592**

Cash and Cash Equivalents

Note 20

Cash and cash equivalents at the end of the reporting period compromise:

	2016/17 £000	2015/16 £000
Cash and Bank balances	13,218	185
Short Term Deposits	6,582	3,911
Total	**19,800**	**4,096**

Note 21 Assets Held for Sale

	Current	
	2016/17 £000	2015/16 £000
Balance at start of year	9,700	3,300
Transferred from Non-Current Assets	0	9,700
Assets declassified as held for sale:		
- Property Plant and Equipment	0	0
Assets sold	(9,700)	(3,300)
Balance outstanding at year-end		9,700

Slough Borough Council

Note 22 Creditors

	Short term creditors	
	31/03/2017	31/03/2016
	£000	£000
Central government bodies	(13,753)	(3,609)
Other local authorities	(355)	(1,406)
NHS bodies	159	(142)
Other entities and individuals	(23,943)	(32,989)
Total	(37,892)	(38,146)

Slough Borough Council

Note 23 Provisions

	Balance as at 1 April 2016 £000	Increase in provision during year £000	Utilised during year £000	Balance as at 31 March 2017
Insurance Claims	(717)	0		(717)
Business Rates Appeals	(607)	(183)	0	(790)
Other - Long Term	(223)	0		(223)
	(1,547)	(183)	0	(1,730)

Current Provisions	(1,324)	(183)	0	(1,507)
Long Term Provisions	(223)	0		(223)
	(1,547)	(183)	0	(1,730)

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Comparative Year

	Balance as at 1 April 2015 £000	Increase in provision during year £000	Utilised during year £000	Balance as at 31 March 2016 £000
Insurance Claims	(717)	0	0	(717)
Business Rates Appeals	(1,219)	(120)	732	(607)
Other - Long Term	(223)	0	0	(223)
	(2,159)	(120)	732	(1,547)

Current Provisions	(1,936)	(120)	732	(1,324)
Long Term Provisions	(223)	0	0	(223)
	(2,159)	(120)	732	(1,547)

Note 24 Usable Reserves

Movements in the Council's usable 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.

	2016/17 £000	2015/16 £000
Balance 1 April	18,358	14,194
Capital Receipts in year	28,021	13,435
Deferred Receipts realised	(9,700)	(3,200)
	36,679	24,429
Less:		
Capital Receipts Pooled	(1,721)	(852)
Capital Receipts used for financing	(11,283)	(5,219)
Balance 31 March	23,675	18,358

Major Repairs Reserve

	2016/17 £000	2015/16 £000
Balance on 1 April	12,107	11,287
Depreciation	12,496	8,000
Transfer to/from HRA Balance	0	2,523
HRA Capital Expenditure	(10,578)	(9,703)
Balance on 31 March	14,025	12,107

Capital Grants Unapplied

	2016/17 £000	2015/16 £000
Balance on 1 April	60,073	53,312
Unapplied Capital Grants received in year	15,924	20,756
Unapplied Capital Grants transferred to CAA in year on application	(25,317)	(13,995)
Balance on 31 March	50,680	60,073

Note 25 Unusable Reserves

	31/03/2017 £000	31/03/2016 £000
Revaluation Reserve	264,425	210,315
Available for Sale Financial Instruments Reserve	761	862
Capital Adjustment Account	282,822	278,666
Financial Instruments Adjustment Account	(1,634)	(1,995)
Deferred Capital Receipts Reserve	12,991	3,291
Pensions Reserve	(270,205)	(209,341)
Collection Fund Adjustment Account	(1,111)	2
Accumulated Absences Account	(1,014)	(1,026)
Total Unusable Reserves	287,035	280,774

(a) RevaluationReserve

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

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.

	2016/17 £000	2015/16 £000
Balance at 1 April	210,315	137,617
Upward revaluation of assets	85,784	84,977
Downward revaluation of assets	(6,481)	(2,476)
Surplus on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	79,304	82,501
Difference between fair value depreciation and historical cost depreciation	(6,493)	(2,661)
Revaluation balances on assets scrapped or disposed of	(18,701)	(7,142)
Amount written off to the Capital Adjustment Account	(25,194)	(9,803)
Balance at 31 March	264,425	210,315

(b) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2016/17 £000	2015/16 £000
Balance at 1 April	862	428
Upward / (downward) revaluation of investments	(101)	434
Balance at 31 March	761	862

(c) 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. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at 1 April		278,666		272,476
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non current assets	(15,648)		(15,653)	
Revaluation gains on Property, Plant and Equipment	(5,156)		7,099	
Amortisation of Intangible Assets	(12)		(16)	
Revenue expenditure funded from capital under statute	(17,194)		(8,562)	
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	(53,093)		(28,897)	
		(91,103)		(46,029)
Adjusting amounts written out of the Revaluation Reserve		25.194		9,803
Net written out amount of the cost of non current assets consumed in the year		(65,909)		(36,226)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	11,283		5,219	
Use of the Major Repairs Reserve to finance new capital expenditure	10,578		9,703	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,203		5,533	
Application of grants to capital financing from the Capital Grants Unapplied Account	25,317		13,995	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,841		3,252	
Capital expenditure charged against the General Fund and HRA balances	9,521		1,033	
		69,743		38,735
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		322		3,681
Balance at 31 March		282,822		278,666

(d) 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. The Authority 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 the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(1,995)	(2,376)
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	361	381

Balance at 31 March	(1,634)	(1,995)

(e) 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	(209,341)	(225,714)
Remeasurement of the net defined benefit liability	(56,419)	20,116
Reversal of items relating to retirement benefits debited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(12,554)	(11,802)
Employers pensions contributions and direct payments to pensioners payable in the year	8,109	8,059
Balance at 31 March	(270,205)	(209,341)

(f) 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	3,291	91
Transfer to the Capital Receipts Reserve upon receipt of cash	9,700	3,200
Balance at 31 March	12,991	3,291

(g) 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.

	2016/17 £000	2015/16 £000

Balance at 1 April	2	1,541
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non domestic rates income calculated for the year in accordance with statutory requirements	(1,113)	(1,539)
Balance at 31 March	(1,111)	2

(h) Accumulated Absences 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	(1,026)	(1,578)
Settlement or cancellation of accrual made at the end of the preceding year	1,026	1,578
Amounts accrued at the end of the current year	(1,578)	(1,026)
Balance at 31 March	(1,014)	(1,026)

Note 26 Cash Flows from operating activities

The cash flows from operating activities include the following items

	2016/17 £000	2015/16 £000
Interest Paid	9,522	13,723
Interest Received	(1,175)	(1,963)

	2016/17 £000	2015/16 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	15,648	15,653
Revaluation increases and impairment reversals	5,156	(7,099)
Amortisation	12	16
Increase/(Decrease) in impairment for bad debts		823
(Increase)/Decrease in Debtors	(11,835)	(1,840)
Increase/(Decrease) in Creditors	183	180
Movement In Provisions	444	(612)
Movement in pension liability		3,742
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	53,093	28,897
Movement in the value of investment properties	(322)	(3,681)
Other non-cash items	(159)	551
	65,320	36,630

	2016/17 £000	2015/16 £000
Adjust for items included in the net surplus on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(28,021)	(13,435)
Capital grants included in Taxation and non specific grant income.	(27,127)	(26,289)
	(55,148)	(39,724)

Note 27 Cash Flow From Investing Activities

	2016/17 £000	2015/16 £000
Purchase of PP&E, investment property and intangible assets	(92,539)	(52,646)
Purchase of Short Term and Long Term Investments (not considered to be cash equivalents)	(14,700)	(84,102)
Other Payments for Investing Activities	7,497	(634)
Proceeds from the sale of PP&E, investment property and intangible assets	28,021	13,435
Proceeds from Short Term and Long Term Investments (not considered to be cash equivalents)	27,000	98,176
Other Receipts from Investing Activities	27,127	26,289
Net Cash flows from Investing Activities	(9,332)	518

Note 28 Cash flows from Financing Activities

	2016/17 £000	2015/16 £000
Cash Receipts from Short and Long Term Borrowing	119,719	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	(1,842)	(3,186)
Repayment of Short and Long Term Borrowing	(60,100)	(5,001)
Other payments for Financing Activities	6,481	(1,175)
Net Cash flows from Financing Activities	64,258	(9,362)

Note 29 Pooled Budgets

Better Care Fund

Effective from the 1st April 2015, Slough BC began hosting the Better Care Fund. This is part of a national initiative to pool health and social care funding to services to achieve better health and care outcomes for the local community.

The fund operates according to an agreement made under section 75 of the National services act 2006 between Slough BC and Slough Clinical Commissioning Group.

The Better Care Fund (BCF) is a pooled budget agreement between Slough Borough Council and NHS Slough Clinical Commissioning Group, under Section 75 of the National Health Service Act 2006. In 2016-17 the BCF comprised 34 schemes grouped under the following headings:

- Proactive Care
- Single Point of Access & Integrated Care
- Strengthening Community Capacity
- Enablers, Governance & Social Care

The BCF also included a contingency, available for release into the pooled budget depending on performance against targets for reducing non-elective hospital admissions.

	2016/17	**2015/16**
	£000	**£000**
Funding provided to the pooled budget:		
Slough Borough Council	775	694
Slough CCG	8,260	8,068
	9,035	8,762
Expenditure met from the pooled budget:		
Slough Borough Council	775	694
Slough CCG	7,807	6,899
	8,582	7,593
Net surplus arising on the pooled budget during the year	452	1,169

In accordance with the section 75 agreement, NHS funded services that are commissioned directly by the clinical commissioning group, do not require transactions to be via the Council. Consequently, the actual transfer of funding from the CCG to the council as a result of the fund is £5.335m.

Berkshire Community Equipment Store

This agreement exists between the six Berkshire Unitary Authorities and three Berkshire Clinical Commissioning Groups (CCG's) for the provision of joint store and equipment services using The South Central Ambulance NHS Trust.

Slough Borough Council was the lead Council and accountable body for this service during 2014/15 and this role was taken over by West Berkshire Council in 2015/16.

	2016/17 £000	2015/16 £000
Funding provided to the pooled budget:		
Slough Borough Council	305	361
Berkshire CCG's	4,674	4,054
Other Unitary Authorities	1,883	1,614
	6,862	**6,029**
Expenditure met from the pooled budget:		
Slough Borough Council	245	348
Berkshire CCG's	4,877	4,533
Other Unitary Authorities	2,544	2,384
	7,666	**7,265**
Net surplus arising on the pooled budget during the year	**(804)**	**(1,236)**

Note 30 Members' Allowances

During the year Members allowances, including Employer's costs totaled £499k (2014/15 £472k) and are as follows:

	2016/17 £000	2015/16 £000
Basic Allowance	313	311
Mayor's And Deputy Mayor's Allowance	10	10
Employer Cost	16	19
Special Responsibility Allowance	122	132
	461	472

Note 31 Officers Remuneration

		Salary, Fees and Allowances £	Compensation for Loss of Office	Pension Contribution £	Total
R Bagley - Chief Executive-Note 1	2016/17	131,493	92,781	214,029	438,303
	2015/16	157,479	0	18,425	175,904
R Parkin - Interim Chief Executive-Note 1b	2016/17	27,107	0	2,990	30,097
	2015/16	0	0	0	0
Strategic Director, Regeneration, Hsg & Resources - Note 2	2016/17	128,781	0	0	128,781
	2015/16	117,516	0	13,749	131,265
Strategic Director, Wellbeing - Note 3	2016/17	84,809	0	3,273	88,081
	2015/16	91,210	0	10,505	196,715
Strategic Director, Customer & Community Services	2016/17	106,036	0	11,365	117,401
	2015/16	125,983	0	14,740	140,723
Assistant Director, Finance & Audit (Section 151 Officer)-Note 7	2016/17	63,539	0	4,218	67,757
	2015/16	86,764	0	10,125	96,889
Interim Director of Children Services - Note 4	2016/17	98,520	0	0	98,520
	2015/16	34,476	0	0	34,476
Assistant Director - Adult Social Care - Note 5	2016/17	18,884	0	5,162	24,046
	2015/16	18,219	0	2,130	20,349
Director of Public Health - Note 6	2016/17	25,960	0	0	25,960
	2015/16	25,719	0	0	25,719

Note 1 - 2016/17 Not full year costs - Postholder left 31/12/16,
Note 1b- Roger Parkin started as interim Chief Executive on 31/01/17
Note 2 - 2015/16 Not full year costs - Postholder left 06/3/16
Note 3 - 2015/16 Not full year costs - Postholder left 22/1/16
Note 4 - 2015/16 Not full year costs - Postholder covering Strategic Director, Wellbeing post from 22/1/16
Note 5 – 2015/16 Not full year costs-Postholder covering the strategic director wellbeing post from 22/1/16.Postholder appointed permanently on 03/01/17
Note 6-The director of Public Health costs are shared between the Berkshire Authorities. The total cost of the post in 2016/2017 is £138,599 (2015/16 £137,668) and Slough Borough Council share is 18.73%.
Note 7-2016/17 not full year costs-Postholder left 24/07/16. New postholder started 17/10/16

Senior Employees' Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (Excluding employer's pension contributions) were paid the following amounts:

The remuneration figures include any redundancy payments linked to exit packages

	2016/17		2015/16	
	Schools	Non-Schools	Schools	Non-Schools
£50,001 to £55,000	23	13	29	17
£55,001 to £60,000	10	4	18	7
£60,001 to £65,000	17	12	8	10
£65,001 to £70,000	3	1	8	5
£70,001 to£ 75,000	2	2	5	5
£75,001 to £80,000	2	1	2	1
£80,001 to £85,000	2	0	3	1
£85,001 to £90,000	4	2	1	2
£90,001 to £95,000	0	0	1	1
£95,001 to £100,000	3	0	1	2
£100,001 to £105,000	0	1	1	1
£105,001 to £110,000	0	0	1	1
£110,001 to £115,000	0	0	0	0
£115,001 to £120,000	0	0	0	1
£120,001 to £125,000	0	0	1	0
£125,001 to £130,000	0	0	0	1
£130,001 to £135,000	0	1	0	0
£135,001 to £140,000	1	0	0	0
£155,001 to £160,000	0	0	0	1
£170,001 to £175,000	0	1	0	0
	67	38	79	56

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	6	10	1	9	7	19	43	157
£20,001 - £40,000	3	4	0	0	3	4	95	118
£40,001 - £60,000	0	0	2	0	2	0	103	0
£60,001 - £80,000	0	0	0	1	0	1	0	65
£80,001 - £100,000	1	0	1	0	2	0	191	0
£100,001 - £150,000	0	1	0	0	0	1	0	305
Total cost included in bandings							**432**	**645**
Add: Amounts provided for in CIES not included in bandings							0	0
Total cost included in CIES							**432**	**645**

The total cost of £432k in the table above includes £432k for exit packages that have been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

Note 32 External Audit Fees

The Council has incurred the following costs relating to the annual audit of

	2016/17	2015/16
Fees payable with regard to external audit services carried out by the appointed auditor for the year	128	153
Fees payable for the certification of grant claims and returns for the year	26	25
Total	154	178

There were no other fees payable in respect of any other services provided.

The 2015/16 figures have been amended to take account of bills received past year end.

Note 33 Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the

Details of the deployment of DSG receivable for 2016/17 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016/17 before Academies recoupment	33,840	117,450	151,290
Academy figure recouped for 2016/17	(3,810)	(75,640)	(79,450)
Total DSG after academy recoupment for 2016/17	30,030	41,810	71,840
Plus: Brought forward from 2015/16	1,299	3,634	4,933
Less: Carry forward to 2017/18 (agreed in advance)	0	0	0
Agreed initial budgeted distribution in 2016/17	31,329	45,444	76,773
In year adjustments	0)	0	0
Final budget distribution for 2016/17	31,329	45,444	76,773
Less: Actual central expenditure	(33,060)	0	(33,060)
Less: Actual ISB deployed to schools	0	(41,326)	(41,326)
Carry forward to 2017/18	(1,731)	4,118	2,387

Note 35 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

Credited to Taxation and Non-Specific Grant Income	2016/17 £000	2015/16 £000
Revenue Support Grant	(18,477)	(24,006)
PFI	(3,677)	(3,678)
New Homes Bonus	(3,704)	(2,679)
Local Services Support Grant	(38)	(52)
Council Tax Freeze Grant	0	(514)
Education Services Grant	(1,292)	(1,464)
Section 31 Grant	(918)	(1,458)
Capital Grants	(27,127)	(26,289)
Total	(55,233)	(60,140)

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

Current Liabilities

Grants Received in Advance (Capital)	31/03/2017 £000	31/03/2016 £000
Capital Grants	(2,100)	(362)
	(2,100)	(362)

Note 36 Related Parties

The Council has a wholly owned subsidiary, Development Initiative for Slough Housing (DISH).Three councillors and an officer sit on the DISH board. The Council has one pooled budget agreements with Clinical Commissioning Groups. Transactions and balances outstanding are detailed in Note 28. 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 27 on reporting for resources allocation decisions. Grant receipts in advance at 31 March 2017 are shown in Note 33.
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 29.

Three Officers and two members have sat on the board of the Slough Urban Renewal (SUR) during 2016-17. The SUR 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 featured The Curve - a brand new library, cultural and community centre in the heart of the town. Expenditure on the construction of The Curve in 2016/17 was £2,062k. Further information is shown in note 42.

The Council has a contract with Matrix SCM Limited for senior officers paid through an agency. Remuneration paid to management entity for services provided by the interim director of children's services totaled £92k and £129k for services provided by the interim strategic director of Resources, Housing and Regeneration.

Slough Borough Council

Note 37 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 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	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement	316,323	295,060
Capital Investment		
Property, Plant and Equipment	76,449	43,326
Investment Properties	15,669	8,110
Intangible Assets	421	0
Revenue Expenditure Funded from Capital under Statute	17,194	8,562
	109,733	59,998
Sources of finance		
Capital receipts	(11,283)	(5,219)
Government grants and other contributions	(36,520)	(19,528)
Major Repairs Allowance	(10,578)	(9,703)
Sums set aside from revenue:		
Direct revenue contributions:		
General	(1,021)	(1,033)
HRA	(8,500)	0
Minimum Revenue Provision	(1,841)	(3,252)
	(69,743)	(38,735)
Closing Capital Finance Requirement	356,313	316,323
Explanation of movements in year		
Increase in underlying need to borrowing	39,990	21,263
Increase in Capital Financing Requirement	39,990	21,263

Note 38 Leases

Operating and Finance Leases

Authority as Lessee:

Finance Leases (Authority as lessee)

The Authority has acquired a number of administrative buildings and its IT and telecommunications system under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31st March 2017 £000	31st March 2016 £000
Other Land and Buildings	10,075	10,204
Vehicles, Plant and Equipment	142	234
	10,217	10,438

The Authority is committed to making minimum lease payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the Liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2016/17 £000	2015/16 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	(1,089)	(1,111)
- non-current	(7,653)	(8,742)
Minimum lease payments	(8,742)	(9,853)

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance Lease Liabilities	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
No later than 1 year	1,134	1,173	(1,089)	(1,111)
Later than 1 year and no later than 5 years	3,472	4,097	(3,386)	(3,941)
Later than 5 years	4,344	4,893	(4,267)	(4,801)
	8,950	10,163	(8,742)	(9,853)

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.

Operating Leases (Authority as lessee)

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

	2016/17 £000	2015/16 £000
Minimum lease rentals payable:	Land and Buildings	
No later than 1 year	633	588
Later than 1 year and no later than 5 years	1,854	1,415
Later than 5 years	6,524	4,544
	9,011	6,547

Authority as Lessor:

Operating Leases (Council as lessor)

The Authority, in accordance with its statutory and discretionary responsibilities, leases out land and buildings under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes

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

	31st March 2017 £000	31st March 2016 £000
	Land and Buildings	
No later than 1 year	257	342
Later than 1 year and no later than 5 years	1,027	1,027
Later than 5 years	8,535	8,760
	9,819	10,129

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Note 39 Service Concession Arrangements

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 non-current 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

	2016/17				2015/16			
	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable within one year	2,677	729	2,930	6,336	2,532	730	3,008	6,270
Payable within two to five years	10,009	4,740	11,284	26,033	9,419	4,571	11,763	25,753
Payable within six to ten years	15,131	7,424	11,676	34,231	14,670	6,880	12,289	33,839
Payable within eleven to fifteen years	16,460	11,338	8,539	36,337	16,687	10,143	9,065	35,895
Payable within sixteen to twenty years	11,855	11,584	3,406	26,845	15,355	14,222	4,717	34,294
Total	56,132	35,815	37,835	129,782	58,663	36,546	40,842	136,051

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 pro 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	2016/17 £000	2015/16 £000
Balance outstanding at start of year	(36,545)	(37,540)
Payments during the year	729	995
Balance outstanding at year-end	(35,816)	(36,545)

Note 40 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

The Scheme is a defined benefit scheme. 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 LEA's).

The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £3.301m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2015/16 were £3.440m and 14.1%. There were no contributions remaining payable at the year-end.

Note 41 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.

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.

(ii) The Berkshire pension scheme is operated under 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 changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

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 of 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	
	2016/17 £000	2015/16 £000
Comprehensive Income and Expenditure Statement		
Cost of services:		
Service cost comprising:		
Current service cost	9,174	10,310
Past service cost	377	364
Gain from settlements	(4,338)	(13,720)
Financing and Investment Income and Expenditure:		
Net Interest expense	7,341	7,275
Total post-employment benefits charged to the Deficit / Surplus on the Provision of Services	12,554	4,229
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)	(21,805)	10,010
Actuarial gains and losses arising on changes in financial and demographic assumptions	88,167	(29,770)
Other	(9,943)	(356)
Total - Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	68,973	(15,887)
Movement in Reserves Statement		
Reversal of net charges made to the Deficit / Surplus on the Provision of Services for post-employment benefits in accordance with the Code	(12,554)	(4,229)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	8,109	8,059

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	31/3/17 £000	31/3/16 £000
Present value of the defined obligation	(494,657)	(395,399)
Fair value of plan assets	224,452	186,058
Net liability arising from the defined benefit obligation	(270,205)	(209,341)

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	186,058	199,772
Interest income	6,832	6,582
Remeasurement gain/(loss):		
the return on plan assets, excluding the amount included in	21,805	
the net interest expense	11,144	(10,010)
Other		(4)
(4)Settlement Prices received		(7,573)
Contributions from employer	8,109	8,059
Contributions from employees into the scheme	2,404	2,424
Benefits/transfers paid	(11,900)	(13,192)
Closing value of scheme assets	224,452	186,058

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Opening balance at 1 April	(395,399)	(425,486)
Current service cost	(9,174)	(10,310)
Interest cost	(14,173)	(13,857)
Contributions from scheme participants	(2,404)	(2,424)
Remeasurement (gains) and losses:		
Actuarial gains/(losses) from changes in financial Assumptions and demographics	(88,167)	29,770
Other	(1,201)	360
Past service cost	(377)	(364)
Benefits/transfers paid	11,900	13,192
Liabilities extinguished on settlements	4,338	13,720
Balance as at 31 March	(494,657)	(395,399)

Local government pension scheme assets comprised:

	Quoted	Unquoted	Fair value of scheme assets	
	%	%	31/03/2017	31/03/2016
		£000	£000	£000
Cash and cash equivalents	10.6	0.0	(23,512)	9,102
Equities:				
by industry type				
Overseas	32.3	10.7	(44,561)	77,643
UK	4.3	1.4	(9,629)	6,130
sub-total equity			(54,190)	83,773
Bonds:				
by sector				
Government Gilts			0	2,786
Overseas Unit Trusts			(27,767))	6,873
Overseas Private Equity		10.4	(23,960)	18,575
Private Fixed Interest	4.5	0.0	(23,288)	
Unit Trusts	0.0	10.0	(10,077)	
sub-total bonds			(85,092)	28,234
Private Equity				
UK			(3,135)	
Overseas			0	
Sub Total Private Equity			(3,135)	
Other investment funds:				
Infrastructure	0.0	5.1	(11,420)	8,916
Property	0.0	2.5	(30,900)	21,733
Target Return	11.3	10.3	(23,064)	34,919
Commodities			(3,807)	6,501
sub-total other investment funds			(69,191)	72,069
Derivatives				
Longevity Insurance	0.0	(5.0)	11,196	(7,430)
Futures	0.0	0.0		0
			(223,924)	185,748

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.
Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddington, an independent firm of actuaries, estimates for the Berkshire Local Government 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	
	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	23.0	22.9
Women	25.0	26.2
Longevity at 65 for future pensioners:		
Men	25.1	25.2
Women	27.4	28.6
Financial assumptions:		
Rate of inflation	3.6%	2.9%
Rate of CPI Inflation	2.7%	2.0%
Rate of increase in salaries	4.2%	3.8%
Rate of increase in pensions	2.7%	2.0%
Discount Rate	2.8%	3.1%

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 Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	512,797	476,159
Rate of increase in salaries (increase or decrease by 1%)	502,848	485,488
Rate of increase in pensions (increase or decrease by 1%)	578,634	411,232
Rate for discounting liabilities (increase or decrease by 1%)	587,331	402,758

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 2 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

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.

The Authority anticipates to pay £7,243k expected contributions to the scheme in 2016/2017.

The weighted average duration of the defined benefit obligation for scheme members is 20 years (20 years 2015/2016).

Note 42 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 £40M 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 2016/17, approved by Full Council on 25 February 2016 and can be accessed with the link below:

http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=168&MId=5229&Ver=4

The table below summarises the carrying value of the Council's investment and cash equivalent portfolio and shows that all deposits outstanding as at 31st March 2017 met the Council's credit rating criteria at that date:

Counter Party	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31.3.2017	Balance Invested as at 31st March 2017					Total
	YES/NO	YES/NO	Upto 1 month	> 1 and < 3 months	> 3 and < 6 months	> 6 and < 12 months	> 12 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Banks - UK Banks	YES	YES	4,032	0	0	0	0	4,032
- non UK Total	YES	YES	0	0	0	0	0	0
Banks			4,032	0	0	0	0	4,032
BuildingSocieties	YES	YES	0	0	0	0	3,006	3,006
Call Accounts	YES	YES	6,582	0	0	0	0	6,582
Local Authorities	YES	YES	0	0	10,094	0	5,060	15,154
Pooled Fund	YES	YES	2,553	0	0		11,892	14,445
SUR Ledgers Road Loan Note				3,581			10,306	13,887
TOTAL			13,167	3,581	10,094	0	30,264	57,106

	Long Term 31/03/2017 £000's	Long Term 31/03/2016 £000's	Short Term 31/03/2017 £000's	Short Term 31/03/2016 £000's
Deposits with banks and financial institutions				
AAA		7,087	7,038	-
AAA mmf		-	6,582	1,380
AA+		-		-
AA-		-		7,551
A+		-		5,026
A		-		2,833
Unrated Local Authorities	5,060	15,153	10,094	4,007
Unrated Building Societies		-		-
Unrated Pooled Funds	11,892	12,034	2,553	8,018
Heritable Bank		-		-
Slough Urban Renewal	10,306	3,361	3,581	-
	27,258	37,635	29,848	28,815

The Council does not hold collateral against any investments.

Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk also includes Market LOBO loans where the lender can exercise its option to vary the rate of interest payable and if so, the Council may wish to exercise its option to repay the loan outstanding. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 30% of the Council's borrowing matures in any one financial year. It is also the Council's strategy that no more than £30m of deposits is placed for a period maturing beyond 364 days.

Maturity Structure of borrowing

Years	31-Mar-17 £'000	% of Total Debt	31-Mar-16 £'000	% of Total Debt
< 1 year	7,000	4.04%	4,000	2.26%
1 to 2 yrs	0	0.00%	3,000	1.69%
2 to 5 yrs	18,001	10.38%	1	0.06%
5 to 10 yrs	9,000	5.19%	18,000	10.15%
10-15 yrs	25,530	14.73%	25,530	14.39%
15-20 yrs	25,000	14.42%	25,000	14.09%
20-25 yrs	68,841	39.71%	53,000	29.88%
25-30yrs	20,000	11.54%	35,841	20.21%
> 30 years			13,000	7.27%
Total	173,372	100.00%	177,372	100.00%

The table above excludes accrued interest.

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits of 50% on external debt that can be subject to variable interest rates. At 31 March 2016, 87.03% of the debt portfolio was held in fixed rate instruments and 12.97% in variable rate or LOBO instruments.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31/03/17 £000	31/03/16 £000
Increase in interest payable on variable rate borrowings	180	230
Increase in interest receivable on variable rate investments	(281)	(335)
Impact on on the Provision of Services	(101)	(105)
Decrease in fair value of fixed rate investment assets	229	231

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Note 43 Contingent Liability

Lender Offer Borrower Offer (LOBO) Loans

The Council has £13 million of Lender Option Borrower Option loans (LOBOs), taken out between 2002 to 2006 and with terms of 52 to 60 years. Information on the Council's borrowings, including LOBO loans, is included in Notes 15 and 40. A number of local authorities have received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by the Council have not currently been found to be unlawful, there is ongoing analysis of LOBO loans generally by local authorities affected, their auditor and specialist lawyers. The law in relation to this matter is complex and there is uncertainty as to what the consequences could be should a local authority have obtained borrowing through a LOBO loan that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may result in additional costs resulting from losses incurred by the lender.

Thames Water

The Council collects water charges from its tenants on behalf of Thames Water and was paid a commission. The High Court has found that a similar contract between LB Southwark and Thames Water is a contract for resale of water under which the recovery of commission is limited by law. The decision is being appealed. The potential liability if the appeal is lost would equate to about £1.6million.

Note 44

Local Asset

Backed Vehicles

Slough Urban

Renewal LLP

The Council is one of two members of a limited liability partnership (LLP), trading as Slough Urban Renewal LLP (SUR 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.

SUR 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.

SUR LLP has a 100% owned Limited company; with whom it fully owns four LLP development subsidiaries (SUR LLP holding 99.9% of the share). Three were active at 31 March 2017. They are:

- Slough Urban Community Projects Renewal LLP (previously Slough Regeneration Partnership Community ProjectsLLP) (SUR CP LLP) and
- Slough Urban Renewal Ledgers Road LLP (previously Slough Regeneration Ledgers Road LLP)(SRLR LLP).
- Slough Urban Renewal Wexham Nursery LLP (SRWN LLP)

Thus, both the private sector member and the Council effectively hold 50% interest each in SUR CP LLP, SRLR LLP and SRWN LLP.

A fourth development subsidiary Slough Urban Renewal Upton Road LLP became active in September 2016. It will develop 10 homes. There was no financial activity in the subsidiary's accounts during the 2016-17 financial year.

Slough Urban Renewal Community Projects LLP

SUR 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 and completed in 2016. Further community projects are now being developed through the partnership, bringing additional -social housing and sport and leisure facilities to the Borough. As the assets are community projects, the assets will be retained by the Council once construction is completed.

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.

Slough Urban Renewal Ledgers Road LLP

In July 2015 the land at Ledgers Road was transferred to a new development subsidiary, Slough Urban Renewal Ledgers Road LLP with construction commencing in July 2015 and site completion expected in August 2017.

SUR LR LLP was set up to develop the land at Ledgers Road, providing 73 properties being a mix of 49 family-sized homes and 24 apartments. 23 properties, made available as affordable homes, will be added to the Slough BoroughCouncil's housing stock.

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.

Slough Urban Renewal Wexham Nursery LLP

In May 2016 the land at Wexham Nursery was transferred to a new development subsidiary, Slough Urban Renewal Wexham Nursery LLP with construction commencing in July 2016 and site completion expected in September 2018.

SUR WN LLP was set up to develop the land at Ledgers Road, providing 104 properties being a mix of family-sized homes. 34 properties, made available as affordable homes, will be added to the Slough BoroughCouncil's housing stock.

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.

Slough Borough Council

Housing Revenue Account for the year ended 31st March

	2016/17 £000	2015/16 £000
Expenditure		
Repairs & Maintenance	(9,809)	(8,490)
Supervision & Management	(8,934)	(8,658)
Rents, Rates, Taxes and other charges	(291)	(185)
Depreciation, impairments, reversals and revaluation losses of non-current assets	(255)	323
Total Expenditure	(19,289)	(17,010)
Income		
Dwelling rents	32,783	33,616
Non-dwelling rents	4,298	1,588
Charges for services and facilities	2,393	2,475
Contributions from General Fund	609	291
Total Income	40,083	37,970
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	20,794	20,960
HRA Services Share of Corporate & Democratic Core	(250)	(298)
Net Income of HRA Services	20,544	20,662
Loss on sale of HRA Non-current Assets	(4,323)	(10,030)
Movement in fair value of Investment Properties		0
Interest Payable and Similar Charges	(5,112)	(5,143)
HRA Interest and Investment Income	74	119
Net interest on the defined benefit liability	(434)	(341)
Surplus on HRA Services	10,749	5,267

Adjustments between accounting basis and funding basis

Movement on the HRA Statement

	2016/17 £000	2015/16 £000
Balance on the HRA at the end of the previous year	29,066	24,494
Surplus or (Deficit) on the HRA Income and Expenditure Statement	10,749	5,267
Adjustments between accounting basis and funding basis under statute	(16,173)	(695)
Increase on the HRA for the year	(5,355)	4,572
Balance on the HRA at the end of the current year	23,711	29,066

	2016/17 £000	2015/16 £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	(120)	(128)
Transfers to/from the Capital Adjustment Account	255	(415)
loss on sale of HRA non current assets	4,254	10,030
HRA Share of Contributions to or from the Pension Reserve	434	341
Transfers to Major Repairs Reserve	(12,496	(10,523)
Capital Expenditure funded by the HRA	(8,500)	0
Net additional amount required by statute to be debited to the HRA Balance for the year	(16,173)	(695)

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

	31st March 2017	31st March 2016
	No	No
Property Type		
Houses	2,750	2,760
Flats	2,914	2,939
Bungalows	529	529
Shared Ownership	6	4
Awaiting Demolition	(105)	0
Total Dwellings 31 March	6,094	6,232
Total Dwellings 1st April	6,232	6,207
Sold	(64)	(50)
New Build/Acquisition	31	75
Awaiting Demolition	(105)	0
Total Dwellings 31 March	**6,094**	**6,232**

In accordance with Government guidelines, dwellings have been valued at their "existing use with vacant possession" based upon beacon values and then reduced to reflect "existing use for social housing". The carrying value of HRA non-current

	31 March 2017	31 March 2016
	£000	£000
Carrying value of non-current assets		
Council dwellings	481,129	427,334
Other land and buildings	9,684	7,152
Vehicles, plant and equipment	0	92
Assets under construction	14,468	3,356
Surplus assets	7,937	4,846
Investment Properties	2,426	2,375
Awaiting Demolition	(104)	0
Total HRA non-current assets	515,540	445,155

3. Major Repairs Reserve

The movement on the Major Repairs Reserve during the year ended 31 March 2017 is summarised below:

	2016/17	2015/16
	£000	£000
Balance at 1 April	**12,107**	**11,287**
Depreciation	8,637	8,000
Transfer to HRA balance	3,859	2,523
Capital expenditure on HRA Land, Houses and Other Property	(10,578)	(9,703)
Balance at 31 March	**14,025**	**12,107**

4. Housing Revenue Account Capital Expenditure

	2016/17	2015/16
	£000	£000
Capital investment		
Operational assets	14,848	12,551
Non operational	**11,314**	**12,551**
Sources of funding		
Capital Receipts	3,284	854
Major Repairs Reserve	10,578	9,703
Government grants and other contributions	11,500	1,994
	25,362	**12,551**

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. Rent Arrears

During 2015/16 total rent arrears increased by £576k. A summary of rent arrears and prepayments is shown in the following table:

	31 March 2017 £000	31 March 2016 £000
Current Tenant Arrears	1,398	1,324
Former Tenant Arrears	832	839
Total Rent Arrears	2,230	2,163
Prepayments	(617)	(550)
Net Rent Arrears	1,613	1,613

6. Depreciation, Impairment and Reversals of Non-Current Assets

	2016/17		2015/16	
	£000		£000	
	Depreciation	Impairment/ (Reversals)	Depreciation	Impairment
Council Dwellings	8,366	(9,038)	7,657	(8,323)
Other Land and Buildings	93	543	97	0
Vehicles, Plant, Furniture and Equipment	92		207	0
Assets Under Construction			1	0
Surplus Assets Not Held for Sale	85	114	6	0
	8,636	(8381)	7,968	(8,323)

Slough Borough Council

COLLECTION FUND For the Year ended 31 March 2017

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.

2015/16			Collection Fund	2016/17		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
			INCOME			
	(55,587)	(55,587)	Council Tax Receivable		(58,445)	(58,445)
(100,334)		(100,334)	Business Rates Receivable	(99,093)		(99,093)
		0	Transitional Protection Payments Receivable	(1)		(1)
		0	Reconciliation adjustments			0
		0	Business Rates Supplements receivable			0
(100,334)	**(55,587)**	**(155,921)**	**Total amounts to be credited**	**(99,094)**	**(58,445)**	**(157,539)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
956		956	Central Government	37		37
937	1,599	2,536	Billing Authority	36	699	735
		0	County Council			0
19	83	102	Fire Authority	1	4	5
	218	218	Police Authority		97	97
			Precepts, demands and shares			
48,796		48,796	Central Government	49,356		49,356
47,820	45,325	93,145	Billing Authority	48,369	48,909	97,278
		0	County Council			0
976	2,333	3,309	Fire Authority	987	2,507	3,494
	6,296	6,296	Police Authority		6,830	6,830
		0	Doubtful debts			0
			Charges to Collection Fund			
2360		2,360	Write-offs of uncollectable amounts	1092		1,092
	777	777	Increase/(decrease) in allowance for impairment		31	31
-612		(612)	Increase/(decrease) in allowance for appeals	184		184
228		228	Transitional Protection Payments Payable	5		5
205		205	Charge to General Fund for allowable collection costs for non-domestic rates	210		210
101,685	**56,631**	**158,316**	**Total amounts to be debited**	**100,277**	**59,077**	**159,354**
1,351	**1,044**	**2,395**	**(Surplus) /deficit arising during the year**	**1,183**	**632**	**1,815**
(628)	(1,466)	(2,094)	(Surplus)/deficit b/f at 1 April 2016	723	(422)	301
723	**(422)**	**301**	**(Surplus)/deficit c/f at 31 March 2017**	**1,906**	**210**	**2,116**

Slough Borough Council

Notes to the Collection Fund

Note 1 - 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.)

FOR THE YEAR ENDED 31 March 2017

Band		Valuation band limits £	£	Calculated number of dwellings	Ratio to Band D	Equated number of dwellings
A	Up to & including	40,000		962	6/9	641
B		40,001	52,000	6,341	7/9	4,932
C		52,001	68,000	18,181	8/9	16,161
D		68,001	88,000	11,119	9/9	11,119
E		88,001	120,000	4,078	11/9	4,984
F		120,001	160,000	1,576	13/9	2,277
G		160,001	320,000	319	15/9	531
H	More Than		320,001	3	18/9	6

Adjustment	(650)
Council tax base	40,001

Note 2 – 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 2016/17 the amount was 48.40p (49.30p = 2015/16). The small business rate multiplier was 49.70p for 2016/17 (48.00p 2015/16). 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 2017 was £225,398,275 (31 March 2016 = £224,432,310).

Note 3 - Council Tax Precepts & Demands

The following amounts were paid from the fund:

	2016/17 £000	2015/16 £000
Slough Borough Council	48,909	45,118
Britwell Parish Council	59	49
Wexham Court Parish Council	57	55
Colnbrook with Poyle Parish Council	100	94
Royal Berkshire Fire Service	2,507	2,333
Thames Valley Police Authority	6,830	6,296
Total	58,462	53,945

Glossary

Glossary of Terms

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Appointed Auditors

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. BDO is the Council's appointed Auditor.

Associate Companies

An associate is an entity over which the Council has significant influence.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Building Schools for the Future (BSF)

This was a major Central Government programme for replacing/upgrading schools often via the Private Finance Initiative (PFI).

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current assets or expenditure, which adds to, and not merely maintains, the value of non-current assets.

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of non-current assets.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Department for Communities and Local Government (DCLG)

DCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Discounts

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all local authorities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Joint Venture

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

Lender Option Borrower Option (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum without penalty.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. In Slough it usually covers a four year timeframe.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Non Domestic Rate (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Precept

The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting Authorities in Slough are the Police and Crime Commissioner and the Berkshire Fire and Rescue Authority. Parish precepts are also collected on behalf of Wexham, Britwell Colnbrook and Poyle Parish Councils.

Premiums

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Private Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for

Local Authorities

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Remeasurement of the Net Defined Benefit Liability

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

a) Actuarial gains and losses

b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset),

And

c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure Funded From Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Council.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Trust Funds

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

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SLOUGH BOROUGH COUNCIL

AUDIT FINDINGS REPORT

Audit for the year ended 31 March 2017

Issued to the Audit and Corporate Governance Committee 14 December 2017

BDO

CONTENTS

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

We present our Audit Completion Report to the Audit and Corporate Governance Committee, which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, 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.

This report has been prepared solely for the use of the Audit and Corporate Governance Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

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

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We were not able to complete our audit by the national deadline of 30 September 2017 primarily due to: • Significant delays in determining whether or not the Council was required to prepare Group Accounts for its interest in Slough Urban Renewal LLP joint venture • A significant number of issues arising from our audit of the financial statements and use of resources • Delays in obtaining explanations and supporting documentation for some of our audit queries. We have now substantially completed our audit work and subject to the resolution of matters set out on page 7 below, we have completed our audit procedures in accordance with the planned scope.
Audit risks	No additional significant risks were identified during the course of our audit procedures subsequent to our Audit Plan presented to the Audit and Corporate Governance Committee in July 2017, when we informed the Committee that we were escalating the risk regarding pension liability assumptions from a normal risk to a significant risk.
Materiality	Our final materiality is £6.7 million. We informed the Audit and Corporate Governance Committee of this level of materiality when we presented our Audit Plan to the Committee in July 2017.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
Additional powers	We are satisfied that management has acknowledged weaknesses in its governance arrangements in its 2016/17 Annual Governance Statement, to be published as part of its 2016/17 Statement of Accounts, and that action is being taken to address these issues during 2017/18. Specifically, in respect of necessary improvements to the preparation of the financial statements, including supporting working papers, we have taken account of ongoing activity to increase the level of resources in the finance team and an additional layer of quality control review by management. We have therefore not at this stage sought to exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 in respect of the 2016/17 audit. However, we will closely monitor developments in this area.

SUMMARY

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	We identified the following material misstatements in the primary financial statements, which management has amended: • £55.7 million understatement of income and expenditure as a result of housing benefit subsidy income being incorrectly netted off against housing benefit expenditure • £10.265 million understatement of property plant and equipment due to the two blocks of flats being incorrectly valued as council dwellings rather than surplus assets awaiting demolition, with a corresponding understatement of the revaluation reserve by £9.968 million and an understatement of the reversal of previous loss in the CIES by £297,000 • £8.1 million overstatement of debtors and creditors as a result of a prior year audit adjustment in respect of Collection Fund balances reversing in the current year. In addition, we identified a number of presentational misstatements in the following notes which we consider to be either quantitatively or qualitatively material: • Cash Flow Statement and associated notes • Housing Revenue Account notes • Expenditure and funding analysis and associated notes • Property plant and equipment note • Financial instruments notes • Gain/(loss) on non-current assets note • Senior officers' remuneration and exit packages note. • Related parties note. These amendments, together with the other non-material amendments that management has processed in the revised financial statements, have decreased the deficit on the provision of services by £3.586 million, from £36.590 million to £33.004 million.

SUMMARY

KEY AUDIT AND ACCOUNTING MATTERS	
Unadjusted audit differences	There are 12 unadjusted audit differences in the primary statements identified by our audit work which, when combined with the impact of brought forward unadjusted errors, would if corrected decrease the deficit on the provision of services by £2.165 million. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.
Control environment	Our audit identified a number of significant deficiencies in internal controls in respect of: • Quality of audit working papers • Financial statements preparation process • Mapping of debtors and creditors • Bank reconciliations • Schools' transactions • Maintenance of the fixed asset register • Process for preparing Group Accounts • Weaknesses in IT general controls around user access and password security.
AUDIT OPINION	
Financial statements	Subject to the successful resolution of outstanding matters set out on page 7 below, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Annual governance statement	Following the amendments made to the Annual Governance Statement, we have no exceptions to report in relation to the consistency of the Annual Governance Statement with the financial statements or our knowledge.
Use of resources	We anticipate issuing a modified opinion on the use of resources for the year ended 31 March 2017 due to combination of weaknesses in the Council's system of internal control and governance arrangements and continuing weaknesses in Children's social care services. Our draft auditor's report is included at Appendix VII.

SUMMARY

KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES	
Sustainable resource deployment	We are satisfied the Council has adequate arrangements for budget setting and whilst there were some weaknesses in budget monitoring and financial reporting in the year, the Council has retained its track record of delivering underspends in the General Fund and taking action to minimise the impact of overspends. The Medium Term Financial Strategy (MTFS) reflects known savings and cost pressures and the key assumptions are not unreasonable.
Informed decision making	Due to weaknesses in the system of internal control and arrangements in key areas such as information governance, risk management, compliance with the Local Government Transparency Code, HR policies and procedures and whistleblowing response procedures during 2016/17, we are proposing to qualify our use of resources conclusion. The Council had not during the year demonstrated or applied the principles and values of sound governance and internal control to support informed decision making.
Partnership working	Whilst we are satisfied that there have been improvements in the joint working and performance monitoring arrangements in place between the Council and the Trust during 2016/17, Ofsted has concluded that improvements in the service have largely been achieved after 31 March 2017 and there is still some way to go before vulnerable children can rely on a service that meets their needs and reduces the risks that they experience. We are therefore proposing to qualify our use of resources conclusion.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT & CORPORATE GOVERNANCE COMMITTEE	
Whole of Government Accounts (WGA)	We will complete our review of the WGA Data Collection Tool (DCT) once we have been provided the DCT by the Council. As at the date of writing we have not yet received the DCT for audit. The statutory deadline for submission of the audited DCT was 29 September 2017.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Audit certificate	We will issue our audit certificate after we have completed our work on the whole of government accounts.

OUTSTANDING MATTERS

We have substantially completed our audit work for the year ended 31 March 2017, and anticipate issuing an unmodified opinion on the financial statements. The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Corporate Governance Committee meeting at which this report is considered:

1	Clearance of outstanding issues on the audit queries tracker currently with management: • Updated related party disclosures • Updated cash flow workings • Completion of audit amendments to the Statement of Accounts
2	Internal quality control review process
3	Subsequent events review
4	Final review and approval of the Statement of Accounts
5	Management representation letter, as attached in Appendix VI, to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as audit risks as identified in our earlier Audit Plan dated 7 March 2017.
Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud. Under auditing standards there is a presumed significant risk of management override of the system of internal controls.	Our response to this risk included: • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewing accounting estimates for biases and evaluating whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtaining an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	We did not identify any issues in our review of the appropriateness of journal entries and other adjustments made to the financial statements. We did not find any indication of material management bias in accounting estimates. Our views on significant management estimates are included below. No unusual or transactions outside of the normal course of business were identified.
2	Revenue recognition	Under auditing standards there is a presumption that income recognition presents a fraud risk. We consider there to be a significant risk in relation to the existence and cut-off of revenue grants included as income in Net Cost of Services within the Comprehensive Income and Expenditure Statement, when conditions attached to such grants have not been met.	We tested a sample of revenue grants recorded as income in the net cost of services to documentation from grant paying bodies and checked whether revenue recognition criteria were met.	We did not identify any issues in our testing of revenue grants.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Financial statements preparation**	Our audits in the last few years have identified weaknesses in the Council's arrangements for preparing the financial statements and working papers, and a significant number of misstatements were identified, including material misstatements in the following areas: • Disclosures in the dedicated schools grant (DSG) note • Financial instrument notes • Senior officer remuneration and exit packages note • Note on amounts reported for resource allocation decisions • Pooled budgets note • Detailed analysis of the cash and cash equivalents balance and supporting bank reconciliations • Debtors and creditors mapping.	A number of meetings were held with finance officers in the lead up to the accounts closedown to discuss progress with the accounts closedown project, risk areas and emerging and contentious accounting issues. We rolled forward our detailed list of audit working paper requirements and briefed finance staff on our expectations for good quality working papers. We carried out a detailed review of the draft financial statements against the requirements of the Code of Practice on Local Authority Accounting 2016/17 and provided detailed feedback to management in early August. We carried out a high level analytical review of the financial statements against comparatives and sought explanations from the Council for material variances. We commenced our testing of the areas where significant misstatements were identified in the prior year at an early stage in the audit.	From our initial review of the draft financial statements it was clear that they contained a similar level of inconsistencies and presentational issues compared to the draft statements provided to us in the prior year. We sought assurance that management had carried out a critical review of the draft financial statements but we were not able to obtain explanations for significant variances in income and expenditure between the current year and prior year until detailed audit work had commenced. The majority of the electronic working papers were provided to us at the start of the audit, which was an improvement on previous years. However, we identified a number of inconsistencies and missing information in the working papers provided. There is still significant scope for improvement in the quality of the financial statements and underlying working papers. Our audit of this significant risk highlighted a number of misstatements as set out below:

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Financial statements preparation** **(continued)**	We audited the disclosures in the DSG note.	The amount recorded in the note for final DSG income for 2016/17 before academies recoupment allocation was £330,000 more than the amount notified by the Education and Skills Funding Agency. This has not been amended in the revised financial statements and is recorded as an unadjusted disclosure matter in Appendix I.
		We audited the financial instrument note and note on risks arising from financial instruments.	Our audit identified errors in the following, most of which were material: • Financial assets analysis table (casting error) • Carrying amounts disclosed for financial assets and financial liabilities in the fair value tables • Maturity structure of borrowing (incorrect analysis between the years) • The disclosure of percentages of debt held in the debt portfolio as fixed rate and variable rate. Management had agreed to amend these issues in the final financial statements. The Code of Practice on Local Authority Accounting 2016/17 requires that authorities disclose an analysis of the age of financial assets that are past due as at the reporting date but not impaired, and an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the authority considered in determining that they are impaired. As in previous years, the Council has not disclosed this information because it cannot readily produce. Additionally, the maturity analysis for financial liabilities does not meet the Code's requirements for financial instrument disclosures as it has been prepared on the basis of amortised cost rather than undiscounted contractual cash flows. This has not been amended in the revised financial statements and is recorded as an unadjusted disclosure matter in Appendix I.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Financial statements preparation** **(continued)**	We audited the disclosures in the Senior officers' remuneration and exit packages note.	Our audit of the Senior officers' remuneration and exit packages note identified the following issues, which were material by nature: • Officers' Remuneration - The previous Chief Executive's remuneration was misstated in total and the payment in lieu of notice was included under Salary, fees and allowances rather than Compensation for loss of office - The remuneration of the Strategic Director for Regeneration, Housing & Resources was misstated as it did not agree to the Matrix report - The note did not clearly separate out different individuals who held the same post during the year, showing the start and leave date for each individual. • Bandings for remuneration over £50,000 - The disclosure was misstated due to the double counting of seven schools employees across five salary bands. • Exit Packages - Payments in lieu of notice were incorrectly excluded from the calculations supporting the disclosure for exit packages - One exit package for £34,000 was omitted in the draft financial statements. Management had agreed to amend these issues in the final financial statements.
		We audited the new Expenditure and income by nature note, which has in effect replaced the previous Amounts reported for resource allocation decisions note.	The results of our testing of the new Expenditure and income by nature note are covered under the significant risk regarding changes in the presentation of the financial statements below.
		We audited the disclosures in the Pooled budgets note.	Our audit of the Pooled budgets note did not identify any issues.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Financial statements preparation** **(continued)**	We audited the cash and cash equivalents balance and supporting bank reconciliations.	Our audit identified the following misstatements in the cash and cash equivalents balance, which have been corrected in the revised financial statements: • £5.7 million understatement of cash and cash equivalents and creditors for a payment that was recorded in the general ledger before year end but did not clear the bank until after year end • £4.8 million understatement of cash and cash equivalents and creditors due to a rejected payment being credited to a payable suspense account within cash and cash equivalents at the year-end instead of being reallocated to creditors • £3.046 million overstatement of cash and cash equivalents and understatement of debtors due to a prior year audit adjustment being processed twice in 2016/17 • £934,000 understatement of the bank balance as a result of cash received in the general bank account being credited to a miscellaneous bank account in the general ledger (which offset the amount in the general ledger account) instead of allocating £912,000 to debtors and £22,000 to income. Correction of these misstatements has increased the cash and cash equivalents balance by £8.388 million. The following errors identified by our audit have not been corrected and are recorded as unadjusted errors in Appendix I: • Precept payments of £683,000 to the Police Authority and £444,000 to the Fire Authority were debited to a bank suspense account instead of creditors, with the result that the cash and cash equivalents balance and creditors were both overstated by £1.127 million *(unadjusted error number 1)* • There is an unreconciled net credit balance of £291,000 between the 'data migration' account and a 'bank suspense' account that should net off, which suggests that cash and cash equivalents is understated by this amount *(unadjusted error number 2)*.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Financial statements preparation** **(continued)**	We audited the classification of debtors and creditors within these notes.	Our audit identified the following misclassification issues: • Debtors and creditors were both overstated by £8.1 million as a result of a prior year audit adjustment in respect of Collection Fund balances reversing in the current year. Management has corrected this error. Management has agreed to correct this issue in the final financial statements. • Council tax receipts in advance were all classified as central government balances, instead of allocating the preceptors' share of £388,00 to 'Other local authorities' and the remaining balance of £1.590 million to 'Other entities and individuals'. Management has agreed to classify these balances correctly in the final financial statements. • Creditors included net debit balances of £159,000 in respect of NHS bodies, which should be reclassified to debtors. This issue has not been corrected and is recorded as an unadjusted error in Appendix I *(unadjusted error number 3)*. • Debtors included a credit balance of £5.888 million on the non domestic rates cash control account, which should have been classified as short term creditors. This issue has been corrected in the revised financial statements. In addition, the short-term creditors balance per the creditors note was £5.7 million lower than the balance in the Balance Sheet due to an error in the note. This issue has been corrected in the revised financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	**Schools' transactions and reconciliations**	In prior years we reported that the Council's arrangements for consolidating schools' income, expenditure, working capital balances and reserves require significant improvement. There is a risk of material misstatement in the 2016/17 financial statements if the weaknesses in working papers and journals prepared to support the consolidation of schools transactions are not addressed.	We reviewed the returns received from the schools and checked if they had been authorised by the Treasurer or Head teacher. We encountered significant difficulties in auditing schools balances as there was insufficient reconciliation between the balances in the general ledger and the returns received from schools. We worked with management to try to reconcile the amounts and have identified potential misstatement in the accounts.	The audit trail between the schools returns and the processing of transactions into the Council's accounts was inadequate. Our comparison of schools balances in the accounts to information on schools returns identified the following differences: • £1.754 million higher expenditure in the accounts • £1.465k million lower income in the accounts • £257,000 net lower net assets (combination of cash/debtors/creditors) in the accounts. These net to a difference of £2.962 million. The Council is unable to provide a comprehensive explanation for the difference. However, the schools reserves position has been sufficiently reconciled therefore it appears that the income and expenditure differences may be due to misclassifications of transactions between schools and non-school accounts rather than incomplete posting. We have recorded this as an unadjusted misstatement in Appendix II *(unadjusted error number 4)* and we have assumed that the balancing item of £2.962 million is an understatement of expenditure (worst case scenario).

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	**Changes in the presentation of the financial statements**	The Code of Practice on Local Authority Accounting requires a change to the presentation of some areas of the financial statements. This includes: • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) based on the Council's directorate structure and reporting to members • Change to the format of the Movement in Reserves Statement • New Expenditure and funding analysis (EFA) note • Change to the Segmental reporting note • New Expenditure and income analysis note. These changes have required a restatement of comparative figures. There is a risk that these presentational changes are not correctly applied in the financial statements.	We have reviewed the draft financial statements against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.	In preparing the new format CIES, £55.7 million of housing benefit subsidy income was incorrectly netted off against the total housing benefit expenditure, with the results that Corporate services income and expenditure were both understated. This has been corrected in the revised financial statements. The misstatement has no impact on the general fund balance. Our audit did not identify any issues with the Movement in Reserves Statement but there were some presentational issues in the note for Adjustments between accounting basis and funding basis under regulations. These have been corrected in the revised financial statements. The draft financial statements did not include Segmental income note as required by the Code. This has been included in the revised financial statements, however the comparative figures still need to be inserted in the final financial statements. Our audit also identified some misstatements in the Expenditure and income analysis note, which have been corrected in the revised financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Group accounts preparation	The Council is one of two members of a limited liability partnership (LLP), trading as Slough Urban Renewal Partnership LLP (SUR LLP). It has a 50% interest in the LLP, the remaining interest being held by Morgan Sindall, a private sector construction services business. The arrangement comprises a joint venture as defined by IFRS 11 "Accounting for joint arrangements." In prior years the Council has accounted for its interest in the joint venture on a cost basis and has not prepared Group Accounts, as its share of transactions in the joint venture has not been material. There has been an increase in activity in the joint venture in 16/17 and therefore we considered it likely that the Council would need to account for its interest in the joint venture using the equity method of accounting and prepare Group Accounts. There was a risk that the Council's interest in the joint venture may not be correctly accounted for in the single entity accounts and that Group Accounts may not be appropriately prepared.	We engaged early with management and discussed the need to determine the value of the Council's interest in SUR LLP. We requested that the Council provide a full assessment of its interest in SUR LLP by calculating the net assets position of SUR and its consolidated subsidiaries at 31 March 2017.	Management stated that they did not consider their interest to be material, however there were insufficient working papers to justify this assertion. From initial information provided by management it appeared that the Council's share of SUR LLP's net assets was material. However, once management had prepared interim consolidated accounts for SUR LLP and we were able to discuss these with the group accountant at Morgan Sindall, it was then evident that the Council's share of the net assets in the joint venture was not material at 31 March 2017. The Council is therefore not required to prepare Group Accounts for the year ended 31 March 2017. However, we have raised a recommendation in Appendix II for management to liaise more closely with Morgan Sindall on the joint venture accounts going forward, as it likely that the Council's interest in SUR LLP will be material in 2017/18. Given that the deadline for certification of the Council's financial statements will move forward to the end of July 2018, management should engage early with Morgan Sindall to ensure that the audits of SUR LLP and its subsidiaries are completed in time for the earlier closedown of the Council's accounts.

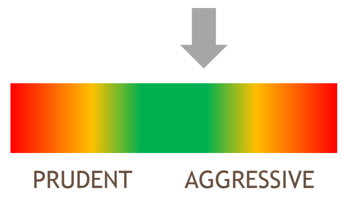
KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Valuation of non-current assets	Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets and investment properties) at the balance sheet date. The Council appointed an external valuer to carry out a revaluation on a sample of assets, as at 1 January 2017, and a further market movement review as at 31 March 2017. Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, there is a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year end.	We reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we could rely on the management expert. We checked that the basis of valuation for assets valued in year was appropriate, including whether an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost, and that investment properties and surplus assets were valued based on 'highest and best use.' We reviewed valuation movements against independent data showing indices of price movements for similar classes of assets. We followed up valuation movements that appeared unusual against indices, or any assets which had material movements since the last valuation.	From our review of the instructions provided to the valuer and assessment of the expertise of the valuer, we are satisfied that we can rely on their work. For the samples of non-current asset valuations reviewed we are satisfied that the basis of the valuation for each asset is appropriate and that the revaluation movements have been correctly accounted for, subject to correction of audit adjustments. Our review of the reasonableness of valuation assumptions applied is noted on the following pages.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Non-current asset valuations

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Dwellings are valued by reference to open market value less a social housing discount Operational land and buildings are valued by reference to existing use market values Some operational specialist buildings are valued at depreciated replacement cost by reference to building indices Surplus assets and investment properties are valued by reference to highest and best use market value	We reviewed the movements in valuations with other relevant market indices to assess the reasonableness of the valuations. **Council dwellings** The valuation provided by the valuer at 1 January 2017 and a further 1% upwards indexation applied for the last quarter of the year resulted in revaluation gains of £62.117 million. £14.53 million of this increase is due to a decrease in the social housing discount factor. The remaining increase of 11.5% is within a reasonable range in comparison to regional trends of property prices in the South East and local factors within Slough. **Buildings** The valuation provided by the valuer for the sample of assets revalued at 1 January 2017, and a 3% upwards indexation applied for the last quarter of the year for assets revalued on a depreciated replacement cost basis, resulted in net revaluation losses of £2.058 million. This net downwards revaluation includes a revaluation loss of £8.1 million on the new Slough library, The Curve, which was completed during the year and transferred out of Assets under construction during the financial year at a cost of £24 million. Excluding the non-recurring downward revaluations, buildings have increased in value by 5.2%. This compares to the BICS public sector Tender Price index for buildings which indicates regional increases of 4.5%. We are satisfied that overall the valuations fall within a reasonable range. Land and buildings not valued in year totalled £52.367 million. We reviewed a sample of these properties against movements in market indices and are satisfied that the value in the accounts is not unreasonable.	

KEY AUDIT AND ACCOUNTING MATTERS

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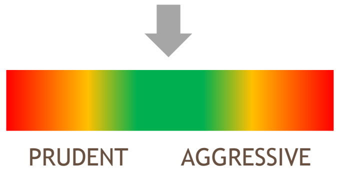
SIGNIFICANT ACCOUNTING ESTIMATES		
Land, buildings, dwellings and investment property valuations (continued)		
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
	Surplus assets All surplus assets were revalued as at 1 January 2017, with no indexation recognised for the last quarter in accordance with the valuer’s year end market review. Our testing on the valuation basis of surplus assets identified that two blocks of flats correctly classified as surplus assets in the asset register had been incorrectly valued as council dwellings on the existing use value basis incorporating the social housing factor, instead of fair value, as the Council had not updated the information provided to show that the two blocks had been reclassified from council dwellings to surplus assets. The valuation of these properties was not recorded in the asset register. The fair value of these properties was determined to be £10.3 million, therefore the net book value of surplus assets was understated by £10.265 million, the revaluation reserve was understated by £9.968 million (net upward revaluation of £11.211 million and downward revaluation of £1.243 million) and the reversal of previous loss in the CIES was understated by £297,000. This issue has been corrected in the revised financial statements, resulting in overall revaluation gains on surplus assets of £13.386 million. The gains are largely due to the two blocks of flats noted above being valued on a fair value ‘highest and best use’ basis for the first time.	
	Investment properties All investment properties were revalued as at 1 January 2017, with no indexation recognised for the last quarter in accordance with the valuer’s year end market review, resulting in a fair value gain of £322,000. This represents an increase of 1.5%, which is lower than the increases indicated by the Regional House Index; IPD Sector Capital Growth Index and BICS Public Sector Tender Price Index. The valuer has provided property and area-specific explanations for the movements, which are considered reasonable.	

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
8	Pension liability	The net pension liability comprises the Council's share of the market value of assets held in the Royal County of Berkshire Pension Fund for Slough Borough Council and the previous Berkshire County Council, and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by Barnett Waddingham, an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.	We agreed the disclosures to the information provided by the pension fund actuary. We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data. We obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary. We checked whether significant changes in membership data have been communicated to the actuary.	Our audit of the Defined benefit pension scheme note found that the value of bonds and equities was misstated and the note had not been correctly updated from the prior year for the percentage of quoted and unquoted scheme assets. In addition, the disclosure of the potential impact on the liability for a 1% increase or decrease in the discount rate was misstated. Management has agreed to amend these disclosures in the final financial statements. We also found that the note did not correctly disclose the expected contributions to be paid in 2017/18. This has been amended in the revised financial statements. Our consideration of the actuarial assumptions used by the pension fund actuary is noted on the following pages. We have referred to the findings from an independent review of actuarial assumptions by PwC, which was commissioned centrally by Public Sector Audit Appointments Limited.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE

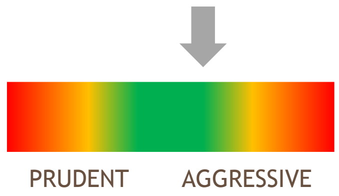
The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

HOW RISK WAS ADDRESSED BY OUR AUDIT

The actuary has used the following assumptions to value the future pension liability:

	Actual used	Actuary range	PwC assessment of actuary range to market expectations
RPI increase	3.6%	3.5-3.6%	Top of expected range (as no deduction for inflation risk premium)
CPI increase	2.7%	2.6-2.7%	Top of expected range (derived from RPI above)
Salary increase	4.2%	--	Employer and scheme specific
Pension increase	2.7%	2.6-2.7%	Top of expected range (derived from RPI above)
Discount rate yield curve	2.8%	2.7-2.8%	Above expectations (does not reflect full shape of the underlying or timing of the benefit payment)
Mortality - LGPS:			
- Male current	25.1 years	23.5-26.6	Reasonable and within expected range
- Female current	27.4 years	26.5-28.3	Reasonable and within expected range
- Male retired	23.0 years	21.4-24.4	Reasonable and within expected range
- Female retired	25.0 years	24.2-26.0	Reasonable and within expected range.

AUDIT CONCLUSION



KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES	
Pension liability assumptions	
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**
Continued	PwC's review of assumptions applied by Barnet Waddingham concluded that: *The discount rates proposed at all durations fall outside of the top end of our expected ranges at 31 March 2017. Individually, we might view these assumptions to be optimistic, and auditors may wish to consider whether a lower discount rate (for example a reduction of 0.1%) would lead to materially different accounting entries for their employers. Auditors may be able to gain comfort that the assumptions in aggregate (i.e. considering all the financial and demographic assumptions together) will result in liability figures that are not materially misstated at 31 March 2017, albeit the chosen assumptions will be disclosed in the pensions note and thus subject to external scrutiny.* In response, we commissioned a separate review from an independent actuary (Broadstone) to review the strength of the assumptions applied and the potential impact on the calculation of the liability. **Discount rates** This review concluded that, while the discount rate range applied was high, the approach to obtain a single point from the yield curve is an acceptable method. A benchmarking exercise found that a rate up to 2.80% approached the 95th percentile (normal range 2.55% - 2.75%), and that the rate applied for this pension fund at 2.70% was above average but within a normal range. An increase of 0.1% in the discount rate would decrease the liabilities by 2%. **Inflation rates** A review of the RPI inflation assumptions concluded that the rate applied was high, and followed the same methodology as the discount rate curve methodology in not adjusting for an inflation risk premium. A benchmarking exercise found that a rate up to 3.60% approached the 95th percentile (normal range 3.28% - 3.48%), and that the rate applied for this pension fund at 3.60% was above a normal range. An increase of 0.1% in the discount rate would increase the liabilities by 2%.

KEY AUDIT AND ACCOUNTING MATTERS

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT
Continued	**Overall impact of assumptions** PwC concluded that overall Barnett Waddingham liabilities calculations tended to be generally ‘strong’ (i.e. placing a higher value on the liabilities) and that in combination the higher discount rate and higher inflation assumptions may result in an acceptable valuation. The Broadstone review concurred with this view and stated that reducing both the discount rate and inflation assumptions would bring these into line with general expectations, but would not lead to materially different liability calculation. **Conclusion** The impact of the higher discount rate and inflation rates tend to counteract each other and the overall liability calculation is reasonable.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	Existence, accuracy and presentation of non-current assets	Our prior year's audit identified weaknesses in the Council's arrangements for ensuring that non-current assets included in the fixed asset register (FAR) exist, are accurately stated and correctly classified. A number of misstatements were identified, including: • Incorrect inclusion of assets previously disposed of or demolished • Incorrect inclusion of an asset where the Council had surrendered the lease back to the leaseholder • No de-recognition of replaced components • Misclassification of investment properties as property, plant and equipment • Misclassification of property, plant and equipment as investment properties • Misclassifications between operational assets and surplus assets within property, plant and equipment • Incorrect input of a number of valuations, resulting in differences between the FAR and the valuer's certificate. There is a risk of continuing errors in non-current assets as a result of weaknesses in processes for updating the FAR.	We tested a sample of non-current assets to check whether: • Assets exist and are owned by the Council • Components have been correctly de-recognised on replacement • Assets are correctly classified • Valuations agree to the valuer's certificate. We will also reviewed the reconciliation between valuation totals in the FAR for each asset category to totals per the valuer's certificate.	Our audit identified the following issues that have been corrected in the revised financial statements: • Five assets that had been demolished in the year were still included in the FAR, with the result that property, plant and equipment and investment properties were overstated by £189,000 and £69,000 respectively, with corresponding understatement of losses on disposal. In addition, the land element of one of these buildings needed to be reclassified from investment properties to surplus assets within property, plant and equipment. • Our audit enquiries identified more properties that were earmarked for demolition before the year end and demolished after year end. These assets should have been reclassified as surplus assets at the year end. As a result, surplus assets was understated by £6.879 million, investment properties was overstated by £110,000, council dwellings was overstated by ££578,000, other land and buildings was overstated by £6.037 million, and vehicles, plant and equipment was overstated by £154,000. • The draft Property, plant and equipment and Investment properties notes had net adjustments of £905,000 and £21,000 respectively to opening balances as a result of adjustments posted in 2016/17 back into the prior year FAR. As the amounts are not material they could not be disclosed as prior period adjustments and had to be represented as in-year transactions in the revised financial statements.

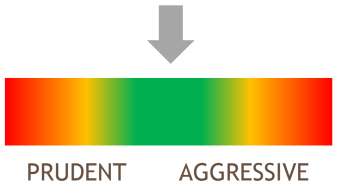
KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	Existence, accuracy and presentation of non-current assets (continued)	As above.	As above.	Our audit also identified the following misstatements that management has agreed to make in the final financial statements: • Differences between the Property, plant and equipment note and the FAR indicate that the Council had not written out depreciation on revaluation totalling £12.458 million from the gross cost and accumulated depreciation sections of the note. In addition, our audit also identified the following misstatements that management has decided not to adjust: • Understatement of the depreciation charge by £135,000 due to incorrect useful lives applied to four assets. We have recorded this as an unadjusted misstatement in Appendix II (unadjusted error number 5). • Comparison of the gross valuation per the valuer's spreadsheet to the FAR found that differences totalling £762,000k, with the result that property plant and equipment is understated by this amount. We have recorded this as an unadjusted misstatement in Appendix II (unadjusted error number 6). For the corresponding side of the entry we have assumed an equal split between the revaluation reserve and the CIES. Overall, significant audit adjustments have been made to the financial statements in this area. Most notably the year-end net book value of surplus assets has increased by £17.1 million to £26.9 million.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
10	Related party disclosures	We consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards. The 2016/17 Code includes an addition to the definition of a related party for an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity, and new disclosures are required for these services provided by separate management entities. There is a risk that related party disclosures are not complete and in accordance with the Code requirements.	We updated our understanding of the related party transactions identification procedures in place and reviewed the relevant information identified transactions. We also discussed with management and reviewed councillors' and senior managers' declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us. We also considered whether key management personnel services received from other entities had been adequately disclosed as related parties. We carried out a Companies House search to check the completeness of disclosed interests.	Our audit found that the Related parties note does not adequately disclose the Council's transactions and balances with Slough Urban Renewal LLP. Management has agreed to include these disclosures in the final financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**AUDIT CONCLUSION**
Allowance for non-collection of receivables	The Council's largest allowances for impairment of receivables relate to housing benefit overpayments and collection fund receivables for council tax and business rates. The Council estimates the housing benefits overpayments impairment allowance using collection rate data. For council tax debtors, the impairment allowances are based on the collection of income using information available over the last 15 years. An allowance is made for outstanding debt based on the difference between income received and the average income expected to be received. For business rate debtors, the impairment allowance is based on a five year collection cycle with an average provision rate applied. We have reviewed management's calculations and considered the reasonableness of the estimates against collection rates calculated for the current aged debt profile. Overall we have concluded that the impairment allowances for receivables are reasonable.	

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
1	Cash flow statement	A number of misstatements in the Cash Flow Statement and supporting notes were identified by the audit. This includes £9.7 million of deferred capital receipts which were incorrectly included in proceeds from sale of Property, plant and equipment, although there no were cash proceeds resulting from this transaction. We are awaiting updated working papers to agree the changes.
2	Housing Revenue Account	Our audit identified the follow disclosure misstatements within the Housing Revenue Account (HRA) and supporting notes, which have been corrected in the revised financial statements: • No disclosure of the vacant possession housing value as at 1 April 2016 • Within the note on Non-current assets values, the current year values for Assets under construction and Investment properties were misstated • Within the note on Depreciation, impairment and reversal of non-current assets, the impairment values did not match the fixed asset register, or the amounts used for the transfer between the HRA & the Capital adjustment account • Within the note showing the Differences between accounting basis and funding basis, the value for transfers to the Major repairs reserve of £12.496 million had the incorrect sign • Within the HRA Capital expenditure note, there was a line missing for Non-operational assets in the current year and the amount shown as spend on operational assets was incorrect.
3	Borrowings	Our audit found that the Council had misclassified £202,000 of accrued interest on borrowings as long-term borrowing instead of short-term borrowing. The Code requires the portion of long-term liabilities due to be settled within 12 months after the Balance Sheet date, including accrued interest, be disclosed separately as other current creditors. This has been corrected in the revised financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
4	Long-term Investments	Our audit found that the Council had misclassified accrued interest of £788,000 on long-term investments receivable within 12 months as long-term investments instead of short-term investments. The Code requires the portion of long-term assets due to be received within 12 months after the Balance Sheet date, including accrued interest, to be disclosed separately. This has been corrected in the revised financial statements.
5	Long-term debtors	Our audit found that long term debtors were understated by £2.646 million as the Council omitted to accrue for the HRA element of overage income that the Council is entitled to receive under a development agreement. This has been corrected i9n the revised financial statements. The£2.646 million is net of £472,000 interest which will be unwound annually until 2020. Our audit also found that overage income of £1.164 million receivable under a separate development agreement was included in long-term debtors on the basis that receipt of the income was due in 2020. However, the developer requested to pay the overage income early so the Council invoiced them with payment due in September 2017. As this is within 12 months of the year-end, the debtor should have been reclassified as short-term. This has not been corrected in the financial statements and we have recorded it as an uncorrected misstatement in Appendix I *(unadjusted error number 7)*.
6	Provisions	Our audit noted that In the provisions note the amount of the provision utilised in the year had been incorrectly netted off the increase in provision during the year. Management has agreed to correct this issue in the final financial statements. In addition, the provision for appeals on non domestic rates is understated by £220,000 due to differences between the general ledger and the Council's workings. This has not been corrected in the financial statements and we have recorded it as an uncorrected misstatement in Appendix I *(unadjusted error number 8)*.
7	PFI liability	We compared the PFI payments recorded in the PFI model, which is used to generate the accounting transactions, to the invoices received from the contractor in the year. The invoices from the contractor exceed the unitary payment in the PFI model, with the result that the service concession finance charge is understated and service expenditure is overstated by £223,000. This has not been corrected in the financial statements and we have recorded it as an uncorrected misstatement in Appendix I *(unadjusted error number 9)*. In addition we noted that value of PFI assets in the Property, plant and equipment note did not agree to the PFI assets in the asset register. Management has agreed to correct this in the final financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
8	Income: fees and charges	From our testing of fees and charges income we identified the followings errors: • Better Care Fund (BCF) income totalling to £5.310 million was initially recorded under income from fees and charges. This income relates to BCF income paid by NHS Bracknell and Ascot CCG. Amounts were then reallocated to different income cost centres. The reallocation journal was erroneously processed by crediting the various income codes and debiting expenditure, rather than debiting fees and charges income. As a result, Wellbeing income and expenditure were both overstated by £5.310 million. This issue has been corrected in the revised financial statements. • Notional Better Care Fund income of £3.725 million had been recognised as income despite no actual income received or receivable. This is the expenditure paid outside of the pooled budget by CCGs, but the Council had included it in the accounts in order to show the total value of the pooled budget. This issue has been corrected in the revised financial statements. • A journal that was posted to reallocate income of £1.294 million from Wellbeing income to Children and learning skills income was done by incorrectly crediting expenditure (Children and learning skills) instead of income. As a result, Wellbeing income and expenditure were both understated by £1.294 million. This issue has been corrected in the revised financial statements. • The Council pays for expenditure on behalf of some school academies and is reimbursed by invoicing the schools. However, the invoiced amount was recognised as income despite this being a recharge of expenditure which should be netted off expenditure. Further investigation found Wellbeing income and expenditure were both overstated by a total of £3.6 million due to incorrect grossing up of recharges. This issue has been corrected in the revised financial statements. • Two further instances of recharge invoices not being netted off expenditure. When extrapolated over the untested population, we have estimated total overstatement of income and expenditure of £488,000 for this issue. This has not been corrected in the financial statements and we have recorded it as an uncorrected misstatement in Appendix I *(unadjusted error number 10)*.
9	Interest income and expenditure	An internal recharge of £328,000 of interest charged by the General fund to the HRA is included in interest payable and interest receivable. This should have been netted off and has been corrected in the revised financial statements.
10	Non domestic rates income	Our audit found that non domestic rates income within Taxation and non-specific grant income was overstated by £814,000 due to the inclusion of grant income. This has not been corrected in the financial statements and we have recorded it as an uncorrected misstatement in Appendix I *(unadjusted error number 11)*.
11	Collection Fund debtors	In our audit of Collection fund debtors we were unable to locate debtors of £2.266 million when we compared to Academy reports and the Council's workings supporting preceptors' balances. Management has not been able to explain where the missing balances are coded. In the absence of a full analysis, we have recorded this difference as a potential understatement of income (worst case scenario) in the unadjusted errors schedule at Appendix I *(unadjusted error number 12)*.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
12	Members' allowances	The disclosure in the note was misstated due to the double counting of month 5 payroll data. Management has agreed to correct this issue in the final financial statements.
13	Audit fees	Audit fees disclosed in the note were overstated by £29k for the current compared to the planned fee and the prior year figure was understated by £35k. This was mainly due to the late receipt of invoices for additional fees in respect of the prior year audit. Management has agreed to correct this issue in the final financial statements.
14	Capital commitments	The capital commitments note did not include all significant commitments and some commitments differed from those in the capital budgets. Management has agreed to correct this issue in the final financial statements.
15	Events after reporting date	The five year revaluation to adjust the rateable value of business properties to reflect changes in the property market came into effect on 1 April 2017. Under the accounting standards, this is a non-adjusting post balance sheet event and should be disclosed as such in the financial statements. This issue has been included in the note in the revised financial statements.
16	Other disclosure issues	A number of other disclosure misstatements were identified, which have been corrected in the revised financial statements. These include: • The analysis of movements in the revaluation reserve balance did not split out the upward and downward element of the in-year revaluation • The other operating expenditure note did not include the net proceeds from sale HRA of £11.328 million.
17	Accounting policies note	The accounting policies note does not disclose additions are not depreciated in the year of acquisition. Management has agreed to include this in the final financial statements.
18	Immaterial disclosures	The financial statements include a number of notes that are not material, such as intangible assets, inventories and provisions. These should be removed as they distract from the material information on the financial statements. The need to review and removal of immaterial disclosures from the financial statements is recorded as a recommendation in Appendix II.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
19	Fraud and error	We are not aware of any instances of fraud other than housing benefit and housing tenancy fraud committed against the Council. Our audit procedures have not identified any material errors due to fraud.

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	The draft financial statements, within the Statement of Accounts, was prepared and published on the website on 30 June 2017. As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.	As reported in the financial statements preparation significant risk section above, there has been limited improvement in the quality of working papers compared to the prior year, particularly in the following areas: • Reconciliations of schools balances and transactions • Analyses of the cash and cash equivalent balance and supporting bank reconciliations for all balances • Debtors and creditors mapping • Working papers to explain all manual adjustments posted between the trial balance and the financial statements. A recommendation for improvement is recorded in Appendix II.
2	We are required to review the draft Annual Governance Statement and 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 Council's review of effectiveness and our knowledge of the Council.	Our audit identified a number of issues with the Annual Governance Statement, which have been corrected in the revised Statement: • Correction of a few factual inaccuracies • Update to the section on policies to state that the Anti-Fraud and Corruption strategy was reviewed during the year and a new Confidential Reporting Code agreed, and that there were some weaknesses in HR-related matters during the year as a result of HR policies not being up to date, sufficiently clear or appropriately complied with • Updates to statements made in the future tense where the time period has now passed • Inclusion of acknowledgement of weaknesses in the financial statement preparation process • Amendment to the conclusion which suggested that the governance arrangements have remained fit for purpose • Inclusion of information on data confidentiality breaches.
3	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	Our review of the Narrative Report identified a few inconsistencies with the financial statements. These have been corrected in the revised Narrative Report.

CONTROL ENVIRONMENT

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 Council's 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 note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

Our audit has identified the following significant deficiencies, which are included in the recommendations and action plan at Appendix II:

- Quality of audit working papers
- Financial statements preparation process
- Mapping of debtors and creditors
- Bank reconciliations
- Schools' transactions
- Maintenance of the fixed asset register
- Process for preparing Group Accounts
- Weaknesses in IT general controls around user access and password security.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
1	For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority 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 DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 7 July 2017. The Council did not meet this deadline. At the time of writing this report we have not yet received the draft DCT for audit. As such, the statutory deadline of 29 September 2017 was not met.

USE OF RESOURCES

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). This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We reported our risk assessment, which included use of resources significant risks, in the 2016/17 Audit Plan dated 7 March 2017. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and 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 and any other relevant use of resources work undertaken.

Key: ■ Significant risk ■ Normal risk

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: MTFS	The update to the Medium Term Financial Strategy (MTFS) to 2020/21 forecast further reductions in Government core grant funding and annual inflationary and pay award pressures. Significant levels of savings are required to balance the budget in the five years from 2016/17. As at February 2017 the savings requirement is £10.1 million in 2016/17, £12.4 million in 2017/18, £5.1 million in 2018/19, £4.6 million in 2019/20 and £1.7 million in 2020/21. The Council has a number of Invest to Save projects in progress to generate additional income going forward. These include a new leisure centre development and improvements to existing leisure centres, development of two hotels, development at the Thames Valley University site and expansion to schools. Our Audit Plan identified a potential risk that the MTFS may not adequately take account of the investment costs associated with major development projects and savings schemes and there may not be sufficient risk management and monitoring arrangements to ensure successful delivery of these projects.	**Overall conclusion regarding sustainable finances: MTFS** We are satisfied the Council has adequate arrangements for budget setting and whilst there were some weaknesses in budget monitoring and financial reporting in the year, the Council has retained its track record of delivering underspends in the General Fund and taking action to minimise the impact of overspends. The MTFS reflects known savings and cost pressures and the key assumptions are not unreasonable. ***Contextual information*** The general fund balance and earmarked reserves act as a potential buffer against future risks, although the amount of headroom provided is fairly limited. There are good levels of HRA reserves to support the sustainability of the HRA over the medium term in line with the Council's HRA Business Plan, as approved by Cabinet in October 2016 and updated in April 2017. We are satisfied that the Collection Fund is being adequately monitored and managed. It is clear that the Council's capital programme has taken a long term view, aimed at using capital to generate additional revenue streams and thereby contribute to required savings targets. Achieving the required level of savings in the MTFS will be very challenging and will continue to require strong leadership and action by the Council. The Council understands the risks involved across financial planning. The MTFS and associated capital programme and treasury strategy take account of the investment costs associated with major development projects and savings schemes. The Council's Programme Management Office (PMO) maintains oversight of all significant projects to ensure that risks and issues are managed and progress maintained. The PMO also carries out lessons learned and benefits reviews for key projects. The total level of spend on temporary staff in 2016/17 is £8.8 million (£8.7 million in 2015/16), which includes Council owned schools. However, expenditure between the years is not directly comparable due to some services transferring in and out of the Council in both years. The Employment and Appeals Committee closely monitors temporary agency staffing levels, costs and progress in seeking permanent placements. During 2016/17 the corporate management team included, amongst others, the Chief Executive, four Directors, the Section 151 officer and the Monitoring Officer. Of these seven posts, six were filled by interims for at least part of the year. Action was taken to fill some of these posts with permanent placements. By 1 April 2017, the number of interims in the seven posts had reduced to three. The Chief Executive and Monitoring Officer remained interims at 31 March 2017.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: MTFS (continued)	As a starting point for assessing the effectiveness of the Council's arrangement for ensuring sustainable finances, we reviewed current year outturn and the Council's reserves position.	**Detailed findings** ***General Fund*** Internal Audit's conclusion on the 2016/17 budget setting process was rated 'Reasonable' (meaning that there is reasonable assurance that controls are suitably designed and consistently applied, although there are issues that need to be addressed to ensure that the control framework is effective). However, Internal Audit identified a number of issues with budgetary control and reporting, in particular a lack of scrutiny and reporting on savings plans to senior management during the first half of the year, meaning that there was no effective oversight as to whether savings plans were being delivered. In addition there was a lack of evidence of discussion of financial reports within directorate meetings and only limited numbers of staff had completed budget holder training. As a result, Internal Audit's conclusion on budgetary control and financial reporting in 2016/17 was rated 'Partial' (meaning that there is partial assurance that the controls are suitably designed and consistently applied, however action is needed to strengthen the control framework to manage the identified risks). This was deterioration in the rating provided in this area compared to the prior year. Despite these weaknesses, the Council achieved £8.7 million (86%) of its £10.1 million savings programme for the year, which equates to 8.4% of its original net budget of £103.8 million. This compares to savings of £6.9 million (71%) achieved in 2015/16, which represented 6.6% of the original net budget requirement for that year. There was an overspend of £774,000 on Adult Social Care within the Wellbeing directorate in the year, mainly due to increasing levels of need for domiciliary care for existing clients. This overspend was offset by underspends in other areas, such as greater than planned investment income in the Regeneration, Housing and Resources directorate. The Council achieved its overall budget for the year and reported an underspend of £26,000 against its revised budget. The general fund balance as at 31 March 2017 is £8.1 million, consistent with the prior year. This is in excess of the £7.2 million minimum level recommended by the section 151 officer, which was based on 5% of the Council's net revenue budget plus £2 million for funding volatility. General fund earmarked reserves have decreased by £9 million, to £7.2 million at 31 March 2017. The decrease is partly due to a £5.6 million decrease in schools reserves, to £2.3 million, and funding of planned Council projects in accordance with the Council's priorities. ***Housing Revenue Account*** The Council reported a preliminary outturn of £0.5 million surplus against budget, due to lower loan interest rates and better than expected income generation. After taking account of audit adjustments to the financial statements and £8.5 million funding of capital expenditure by the HRA, the balance on the HRA decreased by £5.4 million, to £23.7 million at 31 March 2017. The balance on the major repairs reserve was £14 million at 31 March 2017, an increase of £1.9 million from the prior year.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: MTFS (continued)	As above: As a starting point for assessing the effectiveness of the Council's arrangement for ensuring sustainable finances, we reviewed current year outturn and the Council's reserves position.	***Collection Fund*** The council tax balance in the Collection Fund was in deficit by £210,000 at 31 March 2017, of which the Council's share was £176,000. Management reported an in-year collection rate of 96.79% for 2016/17, which was higher than the in-year performance of 96.52% in the prior year but below the budgeted in-year collection rate of 97.1%. The non domestic rates balance in the Collection Fund was in deficit by £1.9 million at 31 March 2017, of which the Council's share was £934,000. This is mainly due to write offs of uncollectable amounts and charges for appeals against valuations. The in-year collection rate for 2016/17bwas 97.45%, which was above the in-year performance of 97.12% in the prior year and the target for the year. Collection rates on both council tax and non domestic rates have increased marginally each year over the past few years. Efforts are continuing to ensure easy payment methods are available and that late or non-payments are targeted. ***Capital*** The Council spent £112.5 million against its £133.8 million capital programme in the year (capital investment and revenue costs associated with capital assets), and the unspent balance has been re-profiled into future years. The slippage on capital schemes was less than in previous years. The expenditure was funded from capital receipts, grants and contributions, use of the major repairs reserve and HRA revenue contributions. Expenditure in the year included the purchase of new assets for investment purposes and expenditure on building affordable homes, which management expects will generate future revenue streams to offset future borrowing costs. It also included expansion and investment in schools, leisure facilities and street lighting, in furtherance of the Council's priorities.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: MTFS (continued)	We reviewed the reasonableness of the MTFS assumptions, including investment costs associated with Invest to Save initiatives and major savings schemes.	***Medium term financial strategy*** The MTFS adequately defines and records the headline assumptions made in the budget about the future funding of the Council, directorate pressures, the revenue impact of capital investment and savings targets. It shows how the Council plans to balance its finances over the medium term by delivering savings alongside projected growth in income from council tax and business rates. It highlights the key challenges that the Council faces in delivering services with reduced income from central Government grants. Over the medium term, the Council expects its revenue support grant to reduce from £18.5 million in 2016/17 to £6.1 million in 2020/21. It has assumed a council tax increase of 3% in 2018/19 (compared to 3.75% in 2016/17 and 4.71% in 2017/18) and then a 1% increase each year for the remaining period. The MTFS recognises the volatility in business rate income and has assumed an annual 1% growth rate from 2018/19. The level of savings required over the period of the MTFS is £12.4 million in 2017/18, £5.1 million in 2018/19, £4.6 million in 2019/20 and £1.7 million in 2020/21. The Council set a balanced budget for 2017/18 in February 2017 and specific schemes were identified for the full savings requirement. The savings summary reported to Cabinet in September 2017 indicates that £360,000 is unlikely to be implemented and a further £2.6 million of schemes are only expected to be delivered partially. This, together with overspends in a few areas, is putting pressure on directorate budgets. Management actions to address these pressures have resulted in £1.5 million of efficiencies being identified and further work is in progress to cover they remaining overspend. If this is not successful, management has forecast that the Council will overspend on its general fund revenue budget by £1.9 million in 2017/18. The Council has a track record of managing its shortfalls on the savings programme by achieving underspends in other areas.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: MTFS (continued)	We also reviewed the adequacy of risk management and monitoring arrangements underpinning major development projects.	***A new leisure centre development and improvements to existing leisure centres*** In February 2017 work started on the Slough Ice Arena site in Montem Lane which is being refurbished and extended. Work to demolish The Centre on Farnham Road in readiness for a new leisure centre also begun during 2016/17. The work is being undertaken by Slough Urban Renewal. There are risk registers in place for each of these projects, which are being monitored through the Leisure Strategy Board. The overall leisure strategy programme is one of a number of projects being managed through the PMO and updates on these projects are also regularly reported to the Corporate Management Team, including key risks. ***Development of two hotels in the centre of town*** In July 2016 the Council approved the development of two hotels and a restaurant on the old library site, and agreed the Council should enter into an Agreement to Lease with a hotel operator. The estimated cost was £30.5 million for the hotels and £1.7 million for the restaurant, which will be funded from borrowing. The financial proposal included estimated borrowing costs, operator set up costs and lease income, and showed how the net surplus before overheads is expected to increase in the long term. Cabinet received update reports on the project in September 2016 and March 2017, including an assessment of the key risks. In September it was agreed that the scheme should also include 60 residential apartments and that the entire development will be undertaken by Slough Urban Renewal. A final business case is expected to be presented to Cabinet before the end of 2017/18. Management expects the scheme to generate a solid long-term revenue stream, consisting of a base rent and performance turnover rent, which will more than cover the costs of borrowing for the scheme at the prevailing Public Works Loan Board rates. The Council will also retain and enhance the capital value of a key asset in the centre of town.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: MTFS (continued)	As above: We reviewed the adequacy of risk management and monitoring arrangements underpinning major development projects.	***Development at the Thames Valley University site*** In 2017/18 the Council spent £8 million in acquiring the land for the former Thames Valley University (TVU), a major development site in the heart of Slough which will be used to develop new homes, offices, shops and leisure facilities. The approved capital programme includes a further £8 million to be spent in each of the two subsequent years for the land purchase. The aim of the project is to attract, retain and grow businesses and investment to provide jobs and opportunities for Slough's residents. ***Expansion to schools*** The approved capital programme includes significant planned investment for school building improvements, as part of the Council's school places strategy and goal of creating new school places and improved learning spaces for children in Slough. In 2016/17, £11.5 million was spent on expansion of primary schools, special education needs resources, secondary schools and special schools, against original budget of £13.6 million. A further £27.1 million has been approved on these expansions for 2017/18. The overall schools placement project is being managed as a 'Gold' project and overseen by the PMO, due to the high significance of this project within the Council. Updates on progress and key risks are regularly reported to the Corporate Management Team.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances: Interim staff	There have been a number of changes in senior managers during the year and a number of key posts have been covered by costly interims. Our Audit Plan identified a risk that the Council may not be planning, organising and developing its workforce effectively, and that it may not be securing value for money from the use of interims. We have reviewed the Council's use of contractors and agency staff and its arrangements to substantively fill vacant posts.	**Overall conclusion regarding sustainable finances: interim staff** Whilst the Council's spend on interim staff in senior posts was high during 2016/17, we have concluded that there were reasons for this and action was taken to try to fill the posts permanently where necessary. **Detailed findings** The total level of spend on temporary staff in 2016/17 is £8.8 million (£8.7 million in 2015/16), which includes Council owned schools. However, expenditure between the years is not directly comparable due to some services transferring in and out of the Council in both years. The Employment and Appeals Committee closely monitors temporary agency staffing levels, costs and progress in seeking permanent placements. During 2016/17 the corporate management team included, amongst others, the Chief Executive, four Directors, the Section 151 officer and the Monitoring Officer. Of these seven posts, six were filled by interims for at least part of the year. Action was taken to fill some of these posts with permanent placements. By 1 April 2017, the number of interims in the seven posts had reduced to three. The Chief Executive and Monitoring Officer remained interims at 31 March 2017. The appointment process for a permanent Chief Executive was approved by the Council in January 2017, the same meeting at which the Interim Chief Executive was appointed. The interview process took place in October 2017 but the appointment was not approved and a new recruitment process is planned. We note that the post was originally only advertised in July 2017. We are informed this was mainly due to factors outside of the Council's control. However, it remains the responsibility of the Council to ensure that interim posts for senior positions are filled within a reasonable timeframe. There have been few changes in the Monitoring Officer over the past few years, with the post being covered by three different individuals across 2015/16 and 2016/17, and a significant number of complex issues for the Interim Monitoring Officer to deal with during 2016/17 and to date. As a result, the Council's spend on this role has been higher than normal. The Council is in the process of recruiting a permanent placement for this role as part of a management restructuring exercise noted below. Our consideration of the impact of the above on governance arrangements is considered further below.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Informed decision making: System of internal control and governance arrangements	We are aware that there are a number of areas of weakness in the Council's system of internal control and governance arrangements, as evidenced by Internal Audit issuing a number of negative assurance opinions in 2016/17. These include reviews in budgetary control, information governance, business continuity and commissioning. Internal Audit also concluded for 2016/17 that 'Little' progress had been made in implementing their previous recommendations. Our Audit Plan identified a risk that the Council may not be acting in the public interest through demonstrating and applying the principles and values of sound governance that are required to support informed decision making. We have considered the potential impact on our audit of weaknesses in the system of internal control identified by Internal Audit.	**Overall conclusion regarding informed decision making** Due to weaknesses in the system of internal control and arrangements in key areas such as information governance, risk management, compliance with the Local Government Transparency Code, HR policies and procedures and whistleblowing response procedures during 2016/17, we are proposing to qualify our use of resources conclusion. The Council had not during the year demonstrated or applied the principles and values of sound governance and internal control to support informed decision making. **Conclusion regarding our use of additional reporting powers** We are satisfied that management has acknowledged weaknesses in its governance arrangements in its 2016/17 Annual Governance Statement, to be published as part of its 2016/17 Statement of Accounts, and that action is being taken to address these issues during 2017/18. Specifically, in respect of necessary improvements to the preparation of the financial statements, including supporting working papers, we have taken account of ongoing activity to increase the level of resources in the finance team and an additional layer of quality control review by management. We have therefore not sought to exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 in respect of the 2016/17 audit. However, we will closely monitor developments in this area. ***Detailed findings*** ***Internal Audit's conclusions*** The Head of Internal Audit's opinion for 2016/17 is that "There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective." This negative conclusion was as a result of Internal Audit issuing four 'No assurance' and nine 'Partial assurance' reports in respect of the year. These included the following cross-cutting areas and key findings: • **Information Governance:** Lack of robust policies and procedures in place to support a robust information governance framework within the Council, and as a consequence of this a number of key information governance requirements, such as data flow mapping were not being undertaken effectively across the Council. • **Risk Management:** Lack of oversight of risks at a directorate level due to the absence of an effective risk management system, together with the lack of scrutiny of the corporate risk register at Cabinet level during 2016. In addition to this the audit identified that there was no joined up process between the Corporate Risk Register and Project level risks or training provided to staff on the use of the new risk management system.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Informed decision making: System of internal control and governance arrangements (continued)	As above: We have considered the potential impact on our audit of weaknesses in the system of internal control identified by Internal Audit.	• **Budgetary control:** Lack of scrutiny and reporting on savings plans during the first half of the year and therefore there was no effective oversight as to whether savings plans had been delivered. In addition there was a lack of evidence of discussion of financial reports within directorate meetings and only limited numbers of staff had completed budget holder training. • **Compliance with the Local Government Transparency Code:** In a number of areas information which must be published by the Council had not been published and in some instances the information that was published was out of date. Internal Audit's follow up of recommendations raised in previous years found that the Council had made poor progress in addressing management actions, including a number of high priority actions, although we have noted that management action was taken towards the latter part of 2016/17 to ensure that the implementation of audit recommendations is now monitored more effectively.
	We are aware that a project is in place to update the Council's Constitution and a number of Human Resources policies that have not been reviewed and updated for a number of years. We considered the Council's processes to address these issues during 2016/17.	***Constitution and supporting policies and procedure notes*** The Council establishes the Member Panel on the Constitution at the beginning of each year to keep the Constitution under review. During 2016/17 the Member Panel on the Constitution met on several occasions to identify key areas for revision. Amendments were approved at meetings of the full Council in June 2016, September 2016 and January 2017. These amendments included updates to the Scheme of Delegation to reflect current legislation and the role of the Caldicott Guardian. Work on reviewing other parts of the Constitution has continued in 2017/18. Amendments to the Constitution approved by the Council in May 2017 included changes to contract procedures rules; arrangements for the dismissal of the statutory officers, including their rights in disciplinary proceedings; and a revised Local Code of Conduct for Employees that spelt out the Nolan principles for good governance. Revised Financial Procedural Rules and Councillors' Code of Conduct were approved by the Audit and Corporate Governance Committee in October 2017. Updates to recruitment procedures to cover internal applicants and reference to Disclosure and Barring Service requirements were made during 2016/17. Other Human Resources (HR) related policies are being reviewed and updated in 2017/18. The Employment and Appeals Committee is considering revised Disciplinary Procedures for statutory officers at its meeting in October 2017.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Informed decision making: System of internal control and governance arrangements (continued)	We have also considered the potential impact on our audit of weaknesses in other governance issues of which we are aware. As part of this, we considered the Council's processes to address these issues during 2016/17.	From the amendments being made to the Constitution and associated policies in 2017/18 and to date, it appears that these documents were not sufficiently robust during 2016/17. It is important that policies and procedures are kept up to date, particularly where there are interim officers in place and therefore corporate memory may be an issue. It is also important that any lessons learnt from recent application of HR policies are taken into account in updating these policies, including ensuring that any areas open to interpretation are set out as clearly as possible. We have concluded that some weaknesses in HR related procedures during 2016/17, including the exit procedure for the previous Chief Executive and the removal of the statutory role from the previous Monitoring Officer, were partly due to a combination of policies being out of date, not clear enough or not appropriately applied. ***Changes in senior staff*** At a meeting of the full Council in September 2016 it was acknowledged that the high number of interim directors and vacancies may have led to deterioration in some areas of service delivery. It was agreed that the Council needed to urgently review the structure of the senior management team to drive permanent employment into key senior posts and deliver value for money, transparency, stability and quality services. As reported above, the Council consulted on changes to its management structure during 2017/18. The consultation closed in August 2017 and the new structure was confirmed. It consists of the Chief Executive, five Directors leading on five business areas, and 24 Service Leads. A new recruitment process for the Chief Executive is in place. Formal interviews for the five Directors took place in September and by 2 October 2017 four of the five Director posts were filled by permanent officers. Interviews for the Service Leads took place in October 2017. The statutory role of the Section 151 officer now falls to the Director of Finance and Resources and the Monitoring Officer role will fall to the Service Lead for Governance. Overall, 2016/17 was a year of great instability for the Council and this ultimately had an impact on overall governance arrangements. The new management structure should help to bring stability and improved confidence in management capability and service delivery going forward.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Informed decision making: System of internal control and governance arrangements (continued)	As above: We have also considered the potential impact on our audit of weaknesses in other governance issues of which we are aware. As part of this, we considered the Council's processes to address these issues during 2016/17.	***Whistleblowing procedures, complaints and requests for information*** Officers have received a significant number of whistleblowing complaints and requests for information during 2016/17 and to date, including a few high profile anonymous whistleblowing complaints. The Audit and Corporate Governance Committee periodically receives reports on complaints regarding members' compliance with the Code of Conduct. At its meeting in September 2016, members were concerned that there was a loss of trail for accessing complaints being investigated by the previous Monitoring officer and it was agreed that the processes and systems for recording and reporting on complaints activity needed to be substantially strengthened. The trail was subsequently found and a more detailed report on Code of Conduct complaints, as well as a report on other whistleblowing complaints, was presented to the Committee in October 2017. A Deputy Monitoring Officer was also appointed during 2016/17, to assist the Interim Monitoring Officer in investigating the high level of complaints being received. The Council's whistleblowing procedures were reviewed by the Audit and Corporate Governance Committee in March 2017 and a revised Confidential Whistleblowing Code was approved by Council in May 2017. The previous policy did not clearly indicate who complaints should be made to if they are about both the Monitoring Officer and the Chief Executive. We are aware of a breach of confidentiality in a whistleblowing complaint during the year and we are informed that action was taken internally to address the issue to help to prevent re-occurrence of such a breach going forward. We are also aware of some dissatisfaction with the timeliness of management's responses to requests for information, the information provided, and perceived conflicts of interest in investigations. These issues have resulted in further complaints, attracted negative publicity for the Council and have undermined confidence in the Council's procedures for dealing with whistleblowing complaints and requests for information. Officers and members need to work at embedding robust procedures for dealing with whistleblowing complaints and other requests for information, to provide stronger assurance that the confidentiality of the complainant will be protected, where necessary, and to build confidence in these procedures.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Preparation of the Statement of Accounts	Our audit of the 2015/16 financial statements, which were prepared during 2016/17, identified a large number of misstatements which had to be amended in the final financial statements. We have taken this into account in considering the Council's system of internal control and governance arrangements.	Our audit of the 2015/16 financial statements identified one material misstatement in the primary statements, five notes that were materially misstated and in excess of twenty further non-trivial adjustments. We also identified weaknesses in the quality of the underlying working papers. As reported above, our audit of the 2016/17 financial statements has identified continuing significant weaknesses in the financial statement preparation process and supporting working papers.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Partnership working: Children's social care services	Our 2015/16 use of resources conclusion was qualified because of significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, and insufficient monitoring of contractual performance of the service after it transferred to Slough Children's Services Trust on 1 October 2016. Our Audit Plan identified a risk that the Council may not be able to demonstrate value for money from its arrangements for improving services and outcomes in Children's Social Care Services during 2016/17, in managing the contract with the Trust. We have gained an understanding of action taken by the Council and Slough Children's Services Trust during 2016/17 to address Ofsted's recommendations and sought evidence of improved processes.	**Overall conclusion regarding partnership working** Whilst we are satisfied that there have been improvements in the joint working and performance monitoring arrangements in place between the Council and the Trust during 2016/17, Ofsted has concluded that improvements in the service have largely been achieved after 31 March 2017 and there is still some way to go before vulnerable children can rely on a service that meets their needs and reduces the risks that they experience. We are therefore proposing to qualify our use of resources conclusion. **Detailed findings** In our 2015/16 Audit Completion Report, issued in November 2016, we reported that we could see evidence of improved collaborative working between the Council and the Trust since 31 March 2016, in developing a Pledge, Corporate Parenting Strategy, action plan and scorecard. In addition, the Department for Education's decision in September 2016 to revoke the Second Direction on the Council was indicative of improved joint working between the Council and the Trust during 2016/17. In August 2016 the Council and the Trust established a Joint Improvement Board, to develop and oversee the delivery of the Ofsted Delivery Plan. The Board meets monthly and is chaired by the Council's Chief Executive, with the Trust's Chief Executive acting as vice chair and the Department for Education attending as an observer. At each meeting the Board discusses performance and receives an update on progress against the actions set out in the Ofsted Delivery Plan. A report to Cabinet in June 2017 provided an annual update on the work of the Trust and progress made in improving services. The report noted that significant inroads have been made in establishing a permanent workforce within the Trust. The proportion of agency workers has fallen from 33% in March 2016 to 17% as of April 2017. Another key development over the latter half of 2016 was that the Trust introduced a new model of social work practice, moving the service away from conventional teams into small hubs made up of professionals from different disciplines who work directly with children and families. The report also noted that the Trust monitors Key Performance Indicators and these show improving performance in eight key areas.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Partnership working: Children's social care services	As above: We have sought evidence of improved processes.	Ofsted has carried out four monitoring visits since the service was judged as 'inadequate' in February 2016. The report published following its June 2017 visit concluded that the comprehensive restructuring of the teams that support children in need of help and protection is beginning to have a positive impact on the quality of service that they receive. Trust and Council leaders have continued to work hard to secure a more permanent workforce and the number of agency staff and staff turnover rates are steadily reducing. The Trust and the Council continue to work together cooperatively towards shared goals. Once children are transferred to the child protection and child in need hubs, they receive a better and safer service than at the time of the inspection in February 2016. However, the practice improvements have largely been achieved in the first quarter of 2017/18 and there is still some way to go before vulnerable children can rely on a service that meets their needs and reduces the risks that they experience. The report published after the September 2017 visit concluded that, whilst leaders have taken effective steps to strengthen some aspects of the children looked after service, the pace of improvement has not been swift enough in all areas of practice.

USE OF RESOURCES CONCLUSION

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2016, we have been unable to satisfy ourselves 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 2017.

APPENDICES

APPENDIX I: 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 Corporate Governance 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, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

We identified the following material misstatements in the primary financial statements, which management has amended:

- £55.7 million understatement of income and expenditure as a result of housing benefit subsidy income being incorrectly netted off against housing benefit expenditure
- £10.265 million understatement of property plant and equipment due to the two blocks of flats being incorrectly valued as council dwellings rather than surplus assets awaiting demolition, with a corresponding understatement of the revaluation reserve by £9.968 million and an understatement of the reversal of previous loss in the CIES by £297,000
- £8.1 million overstatement of debtors and creditors as a result of a prior year audit adjustment in respect of Collection Fund balances reversing in the current year.

In addition, we identified a number of presentational misstatements in the following notes which we consider to be either quantitatively or qualitatively material:

- Cash Flow Statement and associated notes
- Housing Revenue Account notes
- Expenditure and funding analysis and associated notes
- Property plant and equipment note
- Financial instruments notes
- Gain/(loss) on non-current assets disclosure
- Senior officers' remuneration note and exit packages disclosure
- Related parties note.

These amendments, together with the other non-material amendments that management has processed in the revised financial statements, have decreased the deficit on the provision of services by £3.586 million, from £36.590 million to £33.004 million.

UNADJUSTED AUDIT DIFFERENCES

There are 12 unadjusted audit differences identified by our audit work which, when combined with the impact of brought forward unadjusted errors, would if corrected decrease the deficit on the provision of services by £2.165 million. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
Deficit on the provision of services before adjustments	33,004				
DR Creditors – Other local authorities				1,127	
CR Cash and cash equivalents					(1,127)
(1) Precept payments to Police Authority and Fire incorrectly allocated to a bank suspense account instead of creditors (factual misstatement)					
DR Cash and cash equivalents				291	
CR Creditors – Other entities and individuals					(291)
(2) Unreconciled net credit balance between the 'data migration' account and a 'bank suspense' account that should net off to zero, which suggests that bank balances are understated by this amount (estimated misstatement)					
Dr Debtors – NHS bodies				159	
Cr Creditors – NHS bodies					(159)
(3) Net debit balances in respect of NHS bodies within creditors, which should be reclassified to debtors (factual misstatement)					

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£’000	£’000	£’000	£’000	£’000
DR Net assets (combination of cash/debtors/creditors)				257	
CR Income – Wellbeing (including schools)			(1,465)		
CR Expenditure – Wellbeing (including schools)			(1,754)		
DR Expenditure – Wellbeing (including schools)		2,962			
(4) Misstatement due to incorrect consolidation of schools’ balances and transactions (estimated misstatement)	(257)				
DR Expenditure (Depreciation)	135	135			
CR Property, plant and equipment – accumulated depreciation					(135)
DR Capital Adjustment Account				135	
CR General Fund (through the Movement in Reserves Statement)					(135)
(5) Misstatement due to depreciation being omitted on four assets incorrectly recorded as having nil useful economic lives (estimated misstatement)					

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£’000	£’000	£’000	£’000	£’000
DR Property, plant and equipment – Council dwellings				293	
DR Property, plant and equipment – Other land and buildings				469	
CR Revaluation reserve					(381)
CR Expenditure (Reversal of impairment)	(381)		(381)		
DR General Fund (through the Movement in Reserves Statement)				381	
CR Capital adjustment account					(381)
(6) **Misstatement due to incorrect posting of property valuations from the valuer’s certificate (estimated misstatement)**					
DR Short term debtors				1,164	
CR Long term debtor					(1,164)
(7) Misclassification of overage income receivable within long term debtors as the developer has agreed to pay it within the next year (factual misstatement)					

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Taxation and non-specific grant income – NDR income	220	220			
CR Provisions – Non domestic rates appeals					(220)
DR Collection Fund Adjustment Account				220	
CR General Fund (through the Movement in Reserves Statement)					(220)
(8) Understatement of the non domestic rates appeals provision (estimated misstatement)					
DR Expenditure – Financing and investment interest payable		223			
CR Expenditure – Wellbeing			(223)		
(9) Misclassification of expenditure relating to the PFI liability as actual unitary payments invoiced for the year exceeds the expected amount in the PFI model (factual misstatement)					
DR Income - Customer and community services		488			
CR Expenditure - Customer and community services			(488)		
(10) Overstatement of income and expenditure due to expenditure recharges being accounted for on a gross basis (estimated misstatement)					

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Non domestic rates income		814			
CR Non-ring fenced government grants			(814)		
(11) Misclassification of grant income					
DR Short-term debtors				2,266	
CR Income	(2,266)		(2,266)		
(12) Potential understatement of Collection Fund debtors and income due to balances not being clearly identifiable in the debtors analysis					
TOTAL CURRENT YEAR UNADJUSTED AUDIT DIFFERENCES	(2,549)	4,842	(7,391)	6,762	(4,213)
IMPACT ON CURRENT YEAR OF PRIOR YEAR AUDIT DIFFERENCES BROUGHT FORWARD (see following pages)	384	2,843	(2,459)	3,463	(3,847)
TOTAL UNADJUSTED AUDIT DIFFERENCES	(2,165)	7,685	(9,850)	10,225	(8,060)
Deficit on provision of services if adjustments accounted for	30,839				

APPENDIX I: AUDIT DIFFERENCES

UNADJUSTED DISCLOSURE MATTERS
The following unadjusted disclosure matters were noted:
Note 34. Dedicated schools grant The amount recorded in the note for final DSG income for 2016/17 before academies recoupment allocation was £330,000 more than the amount notified by the Education and Skills Funding Agency.
Note 42. Nature and extent of risks arising from financial instruments The maturity analysis for financial liabilities does not meet the Code's requirements for financial instrument disclosures as it has been prepared on the basis of amortised cost rather than undiscounted contractual cash flows. In addition, the Code requires that authorities disclose an analysis of the age of financial assets that are past due as at the reporting date but not impaired, and an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the authority considered in determining that they are impaired. The Council has not disclosed this information because it cannot readily produce it.

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON CURRENT YEAR OF PRIOR YEAR AUDIT DIFFERENCES BROUGHT FORWARD (These items cannot be adjusted for in the current year as they are not material)		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Reserves (Revaluation reserve / Capital Adjustment Account)				502	
CR Property, plant and equipment – Other land and buildings					(502)
DR Intangibles – software licences				502	
CR Property, plant and equipment					(502)
a) Impact of brought forward misstatements from 2014/15					
DR Schools Income and Expenditure		851			
CR Opening schools reserves					(851)
b) Overstatement of current year income due to net understatement of prior year income in relation to schools (estimated misstatement)	851				

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON CURRENT YEAR OF PRIOR YEAR AUDIT DIFFERENCES BROUGHT FORWARD (These items cannot be adjusted for in the current year as they are not material)		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Opening general fund				500	
CR Income			(500)		
c) Understatement of current year income due to overstatement of prior year adult social care income relating to continuing healthcare claims (judgemental misstatement)	(500)				
DR Expenditure – Local authority housing		275			
Cr Opening Capital Adjustment Account					(275)
d) Understatement of current year expenditure due to overstatement of prior year expenditure as a result of an estimated error in the carrying value of council dwellings (estimated misstatement).	275				

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON CURRENT YEAR OF PRIOR YEAR AUDIT DIFFERENCES BROUGHT FORWARD (These items cannot be adjusted for in the current year as they are not material)	£'000	INCOME AND EXPENDITURE DR £'000	INCOME AND EXPENDITURE CR £'000	NET ASSETS DR £'000	NET ASSETS CR £'000
DR Opening Collection fund adjustment account				1,083	
CR Taxation and non-specific grant income – Non domestic rates income			(1,083)		
e) Understatement of current year income as a result of overstatement of prior year income the non domestic rates appeals provision (Council's share) (estimated misstatement)	(1,083)				
DR Opening Collection fund adjustment account				876	
CR Council tax income in the CIES			(876)		
f) Understatement of current year income due to an overstatement of prior year council tax income in the CIES (factual misstatement)	(876)				
DR Non domestic rate income in the CIES		525			
CR Opening Collection fund adjustment account					(525)
g) Overstatement of current year income due to an understatement of prior year non domestic rates income in the CIES (factual misstatement)	525				

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON CURRENT YEAR OF PRIOR YEAR AUDIT DIFFERENCES BROUGHT FORWARD (These items cannot be adjusted for in the current year as they are not material)		INCOME AND EXPENDITURE		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Expenditure - loss on disposals		882			
CR Opening Capital Adjustment Account					(882)
h) Understatement of current year expenditure due to an overstatement of prior year loss on disposals (factual misstatement)	882				
DR Income		310			
CR Opening General Fund					(310)
i) Overstatement of current year income due to an understatement of prior year income in the CIES relating to incorrect coding of cash transactions (factual misstatement)	310				
TOTAL IMPACT ON CURRENT YEAR DEFICIT	384	2,843	(2,459)	3,463	(3,847)

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

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

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Quality of audit working papers	There have been some improvements in terms of availability of working papers at the start of the audit. However, as in the prior year, there were issues with the accuracy of the working papers. There is still significant progress to be made in this area. Insufficient working papers to support the balances and totals within the financial statements could result in material undetected errors.	Management should carry out a critical review of the outcomes of the 2016/17 audit to identify the areas where further improvement needs to be made in producing effective working papers. This will be of particular importance given the reduced timeframe for accounts production and audit in 2017/18.	We will address this recommendation once the 2016/17 financial statements are certified.	Service lead - Finance	January 2018
Financial Statements preparation	A number of the issues identified in the 2016/17 audit in terms of accounts production are reoccurring issues from prior year audits. Resolving reoccurring issues lengthens the audit process.	Management should: • Review the level of resources available to prepare the draft financial statements • Review the draft financial statements and supporting workings to ensure that previously reported errors are not repeated • Ensure that immaterial and irrelevant disclosures are removed from the financial statements.	Capacity in the finance team is being addressed as part of a team restructure in 2017/18. This should enable us to place greater focus on producing the financial statements and supporting working papers.	Service lead - Finance	May 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Mapping of debtors and creditors	As in the prior year management was unable to provide us with a working paper that clearly mapped debtor and creditor balances to the disclosures in the financial statements and we identified a number of misclassifications. Incorrect working papers to support the mapping of balances within the financial statements could result in material errors. Material errors have been found in areas where adequate working papers were not provided.	Management should produce a working paper that maps all debtor and creditor balances into the appropriate classifications and reallocates any debtors in credit and creditors in debit balances. This working paper will then assist management in preparing financial statements without material misstatement.	Accepted. This will be done as part of the preparations for faster close of the 2017/18 financial statements.	Service lead - Finance	May 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Bank reconciliations	As in the prior year the Council was initially unable to provide us with a breakdown of the reconciling items within the bank reconciliations. There were a large number of reconciling items that had not been correctly allocated by the year-end. A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. The cash balance could be materially misstated if reconciling items are not appropriate timing differences.	Management should review processes for preparing cash and bank analyses and supporting bank reconciliations. Balances within clearing codes should be cleared down with equal and opposite entries and the total population of reconciling items should be identified, in order to appropriately prepare the monthly bank reconciliations.	Accepted. We will address this recommendation once the 2016/17 financial statements are certified.	Service lead - Finance	January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Schools' transactions	As in the prior year the Council's arrangements for consolidating information from schools into the CIES (and the balance sheet) require significant improvement. Our review of the working papers for 2016/17 found that there is insufficient reconciliation between schools transactions posted to the general ledger and the returns received from schools. In the absence of effective controls for reconciling schools balances, there is a significant risk of material misstatement in the accounts.	Management should ensure that schools' transactions posted to the general ledger are reconciled to underlying schools returns. A complete review of the process for consolidating schools transactions into the accounts should be carried out.	Accepted. This has already commenced.	Service lead - Finance	January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Maintenance of the fixed asset register	Our audit identified a number of properties which had been demolished prior to the year-end but not removed from the fixed asset register, or incorrectly classified in the fixed asset register. Errors in the fixed asset register could result in a material misstatement in the financial statements. Also the Council could be paying for valuation services on properties it does not own. In addition, there is no formal review carried out by management on the useful economic lives of non-current assets, as required by accounting standards. This has been raised in previous years. Inaccurate useful economic lives may result in material missatement of non-current assets.	Management should engage with the property management team to perform an annual review of assets to identify: • Any assets which are no longer held by the Council (these should be derecognised) • Any assets that have changed use (these should be reclassified). Management should reconcile the property valuer's valuations to the fixed asset register. A formal review of the useful economic lives of the Council's non-current assets should also be carried out each year.	Accepted.	Group accountant - Capital and treasury management	April 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Process for preparing Group Accounts	Inadequate financial information was provided in relation to SUR LLP and its subsidiaries and there was no clear assessment as to the materiality of the Council's interest in the joint venture. We believe these issues stemmed from inadequate communication with the joint venture partner. Failure to appropriately engage will result in additional time being spent unnecessarily and incorrect conclusions being drawn from incomplete information.	From discussions with the Council and the joint venture partner, it is possible that the Council's interest in SUR LLP and its subsidiaries will be material in 2017/18. Given that the accounts are to be certified by 31 July going forward, the Council should engage early with its joint venture partner so that the necessary information is received in sufficient time for preparation of the Council's Statement of Accounts.	Accepted. Strategic meetings with SUR LLP are held by the Director of Finance and Resources and the Service Lead - Finance.	Service lead - Finance	January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
User access	Review of users access and access rights in respect of, Academy, Capita and Agresso noted that reviews on users' access rights were not periodically performed by management. There is a risk is that existing users may have more access than required for their role. This reduces segregation of duties and increases the risk of there being unauthorised changes to key data. There is also a risk that leaver accounts may still remain active on the system. This increases the risk that unauthorised access via this open account may occur which may result in incorrect and unapproved changes to key data.	The user access review process should be performed by an individual who is independent of the user access set up and deletion process. The process should include obtaining a system generated user list for the respective application which specifically details the access permissions that each user has been allocated. This should be signed by management to verify that this allocation is appropriate. If any changes are required as a result of this review, this should be requested via the formal request for user modification process	Accepted.	Service lead - IT and governance	January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Password security	We reviewed the password secuity parameters for Academy, CIPFA Asset Management System and Agresso. The password settings for these systems were deemed to be weak as a result of: • No minimum password length • Password duration not set • Password history not enabled. There is a risk is that user passwords can be guessed or become known over time to other users. As a result, user accounts are at an increased risk of being used by persons other than the legitimate account owner. Crystallisation of this risk may result in a material misstatement or fraud because user accounts may be used to process unauthorised, fraudulent or inaccurate transactions, and bypass controls designed or required to ensure segregation of duties.	Password settings should be updated to ensure that: • Password duration is at maximum of 30 days • Password length should be a minimum of 8 characters • Password history settings enforced.	Accepted. This is in progress.	Service lead - IT and governance	January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Faster close	From 2017/18 the deadline for preparation of the draft financial statements will be 31 May, a month earlier than the deadline in previous years. The deadline for approval and publication of the final audited financial statements will be brought foward from 30 September to 31 July. We understand that the Council will be using the CIPFA Red Button approach to facilitate its accounts closedown. It is important that the Council has adequate procedures in place to manage the closedown project. Without a detailed project plan involving all stakeholders, there is a risk that the faster close timetable will not be achieved.	Management should generate a detailed understanding of the mapping structure on which its Statement of Accounts is generated. We encourage the Council to proactively engage with its financial services hub and the audit team to develop a plan for faster close so that the earlier deadline can be achieved.	Agreed. A new finance structure and reporting lines is being implemented, which will strengthen capacity. Initial discussions with our external auditors have taken place and detailed plans will be developed.	Service lead - Finance	January 2018

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Council Materiality	6,700,000	7,800,000
Clearly trivial threshold	134,000	156,000

Planning materiality of £7,800,000 was based on 2% of prior year gross expenditure.

When we received the draft financial statements, we revised our materiality down to 1.75% of gross expenditure per the unaudited financial statements, as we were aware of increased interest in the Council's financial statements by members of the public. The reduced percentage was not out of line with that applied at other unitary authorities that BDO audits.

APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
JANINE COMBRINCK – Audit engagement lead	2 years as engagement lead and 3 years as project manager
NICK BERNSTEIN – Audit manager	1 year as project manager
MICHAEL ASARE-BEDIAKO – Assistant manager	1 year as assistant manager and 2 years as audit senior

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

APPENDIX V: FEES SCHEDULE

	2016/17 FINAL £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit	TBC	127,523	152,758	The 2015/16 fee included £25,235 additional fees for cost overruns incurred on the financial statements audit. We have incurred significant cost overruns on the 2016/17 audit, in respect of both the financial statements audit and the use of resources audit, due to the large number of issues identified by the audit and delays in completing the audit. We are in the process of discussing additional fees with management, which will also be subject to agreement by Public Sector Audit Appointments Limited. We will update the Audit and Corporate Governance Committee on the outcome of these discussions when they are concluded.
Certification of Housing benefits subsidy claim	30,000	20,625	20,000	Our fee for the certification of the 2016/17 housing benefits subsidy claim increased from £20,625 (the indicative fee set by Public Sector Audit Appointments Limited) to £30,000 as we carried out, at management's request, the additional '40+ testing' normally completed by the Council.
TOTAL AUDIT AND CERTIFICATION FEES	**TBC**	**148,148**	**172,758**	
Fees for audit related services:				
• Certification of the Pooling of Housing Capital Receipts return	1,800	1,800	1,800	
• Certification of the Teachers' Pension return	3,535	3,535	3,535	
Fees for other non-audit services				
• None	-	-	-	
TOTAL FEES	**TBC**	**153,483**	**178,093**	

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER
BDO LLP
55 Baker Street
London
WIU 7EU

XX December 2017

Dear Sirs

Financial statements of Slough Borough Council for the year ended 31 March 2017

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 2017 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 Director of Finance & Resources (Section 151) has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments Limited, and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 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 2015, 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 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.

APPENDIX VI: DRAFT REPRESENTATION LETTER

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, other than those which have already been disclosed in the 'Events after the Balance Sheet date' note to the financial statements, 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 international financial reporting standards 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.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect 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.

APPENDIX VI: DRAFT REPRESENTATION LETTER

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.

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 inflation (CPI): 3.6%
- Rate of increase in salaries: 4.2%
- Rate of increase in pensions: 2.7%
- Rate of discounting scheme liabilities: 2.8%
- Take up option to convert the annual pension into retirement grant:
    - Pre 31 March 2008: 50%
    - 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) Valuation of council dwellings, other land and buildings, surplus assets, investment properties and their constituent components

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of property, plant and equipment, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and are not materially misstated at year end. In particular, we are satisfied that:

- Council dwellings revalued in the year are based on existing use prices discounted for social housing
- Specialised operational land and buildings revalued in the year where there is no market based evidence of current value are based on rebuild index prices
- Non-specialised operational land and buildings revalued in the year are based on existing use prices.

We are satisfied that surplus assets and investment properties have been appropriately valued at fair value, based on highest and best use.

We are also satisfied that properties not revalued in the year are not materially misstated at year end.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax receivables, business rates receivables and housing benefit overpayments are reasonable, based on write-off rates or collection rate data.

APPENDIX VI: DRAFT REPRESENTATION LETTER

d) Non domestic rate appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historic appeals are consistent with those advised by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2017 are consistent with our knowledge of the business.

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 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.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and 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. Each director and member has taken all the steps that they ought to have taken as a director or member in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Neil Wilcox

Director of Finance & Resources (Section 151)

XX December 2017

Councillor Chaudhry

Signed on behalf of the Audit & Corporate Governance Committee

XX December 2017

APPENDIX VII: DRAFT AUDITOR'S REPORT

Opinion on the Council's financial statements

We have audited the financial statements of Slough Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Slough Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance & Resources and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance & Resources is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance & Resources; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Narrative Report 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Slough Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

APPENDIX VII: DRAFT AUDITOR'S REPORT

Opinion on other matters

In our opinion, the other information published together with the audited financial statements is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government Framework' (2016 Edition) published by CIPFA/SOLACE in or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and auditor

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

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

APPENDIX VII: DRAFT AUDITOR'S REPORT

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2016, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis of adverse conclusion

Informed decision making

The Head of Internal Audit's opinion for 2016/17 is that "There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective." This negative conclusion was as a result of weaknesses identified in a number of key areas which included the following:

- Information Governance: The Council did not have sufficient policies and procedures in place to support a robust information governance framework within the Council, and as a consequence of this a number of key information governance requirements were not undertaken effectively across the Council.
- Risk Management: There was a lack of oversight of risks at a directorate level due to the absence of an effective risk management system, and insufficient scrutiny of the corporate risk register at Cabinet level during 2016.
- Budgetary control: There was a lack of scrutiny and reporting on savings plans during the first half of the year and therefore there was no effective oversight as to whether savings plans had been delivered.
- Compliance with the Local Government Transparency Code: The Council failed to ensure that information that must be published by the Council was published on a timely basis.

We concur with the above findings.

APPENDIX VII: DRAFT AUDITOR'S REPORT

In addition, we identified the following weaknesses in governance arrangements during 2016/17:

- Constitution and associated policies: The Council failed to ensure that the Constitution and associated policies were sufficiently up to date and robust. Weaknesses in Human Resources procedures during the year were partly due to policies being out of date, not clear enough or not appropriately applied.
- Whistleblowing procedures and complaints: The Council's whistleblowing policy and procedures for dealing with whistleblowing complaints were not sufficiently robust to protect confidentiality and instil confidence in the process. As referred to in the Annual Governance Statement, there were data breaches in respect of a confidential investigation report and a confidential whistleblowing complaint during the year and the Council is considering its reporting responsibilities in respect of these issues. In addition, systems for reporting on complaints were inadequate during 2016/17.
- Preparation of the Statement of Accounts: Our audit of the 2015/16 financial statements, which were prepared during 2016/17, identified a large number of misstatements which had to be amended in the final financial statements. This included one material misstatement in the primary statements, five notes that were materially misstated and in excess of twenty further non-trivial adjustments. We also identified weaknesses in the quality of the underlying working papers. Our audit of the 2016/17 financial statements has identified continuing weaknesses in the financial statement preparation process.

As a result of the above issues, we concluded that the Council had not during the year demonstrated or applied the principles and values of sound governance and internal control. These issues are evidence of significant weaknesses in proper arrangements to support informed decision making.

Working with partners and other third parties

Following significant weaknesses identified by Ofsted in their inspection of children's social care services in Slough in 2011 and 2013 and a direction issued to Slough Borough Council on 7 October 2014 by the Secretary of State for Education, the responsibility for children's social care services in Slough were transferred to Slough Children's Services Trust ('the Trust'), a company limited by guarantee, on 1 October 2015.

In February 2016 Ofsted completed a further review of children's social care services in Slough, and judged the services it reviewed as inadequate overall.

Ofsted has carried out four monitoring visits since the service was judged as inadequate in February 2016. The report published following its June 2017 visit noted that there had been practice improvements but these had largely been achieved in the first quarter of 2017/18 and there is still some way to go before vulnerable children can rely on a service that meets their needs and reduces the risks that they experience.

In seeking to satisfy ourselves that the Council has made proper arrangements for challenging how it secures economy, efficiency and effectiveness in its use of resources, we have considered the Council's arrangements for improving services and outcomes in children's social care services during the year ended 31 March 2017, in working in partnership with the Trust.

We concluded that the Council's arrangements for ensuring that sufficient action was taken by the Trust to address weaknesses identified by Ofsted during 2015/16 were inadequate, as the pace of improvement was not swift enough in all areas of practice.

APPENDIX VII: DRAFT AUDITOR'S REPORT

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2016, we have been unable to satisfy ourselves 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 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this matter does not have a material effect on the financial statements or on our value for money conclusion.

[*Signature*]

Janine Combrinck

For and on behalf of BDO LLP, Appointed Auditor

London, UK

[*Date*]

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

FOR MORE INFORMATION

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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