LONDON BOROUGH OF RICHMOND UPON THAMES

Statement of Accounts 2015-16

London Borough of Richmond

24 October 2016

LONDON BOROUGH OF RICHMOND UPON THAMES

STATEMENT OF ACCOUNTS 2015/16

Mark Maidment CPFA

Director of Finance and Corporate Services

Audited
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These financial statements replace the unaudited financial statements certified by Mark Maidment on 23rd June 2016

www.richmond.gov.uk

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NARRATIVE REPORT

INTRODUCTION

This is the Statement of Accounts of the London Borough of Richmond upon Thames for the financial year 2015/16. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). This Report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow, as well as giving information as to how the Council will develop over the next few years. The figures within this Report are based upon information that was reported to Members during the year and at the year-end. The figures within the main body of the Statement of Accounts have been adjusted in line with International Financial Reporting Standards (IFRS) to allow comparisons between the Council and other similar bodies.

KEY FEATURES OF THE STATEMENT OF ACCOUNTS

This document comprises 4 key areas:

- The single entity Statement of Accounts of LB Richmond upon Thames
- The consolidated Group Accounts of LB Richmond upon Thames
- The Collection Fund Accounts
- The Pension Fund Accounts

The Statement of Accounts is made up of 4 core statements as listed in the table below. Amounts Reported for Resource Allocation Decisions provides reconciliation between service information reported to Members as part of the annual reporting cycle, and The Code compliant figures reported as part of this Statement of Accounts.

Core Statement	Purpose/relationship with other statements
Comprehensive Income and Expenditure Statement (CI&ES)	This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Practices (GAAP), 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, where the transactions to adjust the Comprehensive Income and Expenditure Statement total back to the local tax setting basis reported.
Movement in Reserves Statement (MIRS)	This statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes.

Balance Sheet	This statement 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.
Cash Flow Statement	This 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.

Where figures have been restated this has been noted on the individual tables concerned.

REVENUE BUDGET AND OUTTURN

The Council achieved a balanced budget in 2015/16 after accounting for a contribution in support of the capital programme of £0.5m. Within Central Items, there was a significant underspend which was used in part to balance the budgets of the other Directorates. The remainder was used in support of the capital programme in accordance with agreed Council policy.

Service	Revised Budget £000	Outturn £000	Variance £000
Education and Children's Services	32,556	35,620	3,064
Adult and Community Services	74,975	73,584	(1,391)
Environment	24,993	25,113	120
Finance and Corporate Services	17,265	16,733	(532)
Central Items	(39,463)	(40,724)	(1,261)
Total	**110,326**	**110,326**	**0**

There were over and underspends across the Directorates, reflecting the wide range of services provided. Details are in the individual Directorate outturn reports which will be available on the Council's website (www.richmond.gov.uk). The most significant items to note in each Directorate are set out below:

Education and Children's Services (overspend £3.064m)

There are 3 key areas of concern:

- Children's Social Care

  An overspend of £1.843m relates to increased costs and demand, especially in relation to Looked After Children. This includes the ongoing effect of overspends which started in 2014/15.

- Special Educational Needs Transport (overspend £852k)

  This again relates to increased costs and demand for services. Achieving for Children (AfC) is undertaking a review of the service and the shared service provision with RB Kingston upon Thames in order to address the underlying overspend and to manage demand in the long term.

- Education Services Grant (overspend £322k)

  This arose from an in year reduction in the Council's grant allocation. AfC was unable to address the shortfall given its overall financial position but are working on plans to meet the grant reduction and to deal with future reductions which are expected.

Adult and Community Services (underspend £1.391m)

The final position is made up of a number of over and underspends:

- Commissioning Care Services (underspend £403k)

  This is made up of an underspend of £1m on Commissioned Care Services across all user groups offset by an overspend of £607k which relates in the main to the Council's statutory functions for Deprivation of Liberty Safeguards (DoLS).

- Community Services Operations (overspend £476k)

  There is an overspend of £299k on in house care provision and a £347k overspend on Transport Operations. Both of these followed changes in service provision and are expected to be resolved in 2016/17.

- Other service areas (underspend £1.301m)

  This relates to staffing underspends in the Commissioning, Corporate Policy and Strategy Division pending the establishment of the Shared Staffing Arrangement with LB Wandsworth, various procurement exercises and efficiency initiatives across the Directorate and additional income generated from the recovery of Housing Benefit overpayments.

Environment (overspend £120k)

The main budget variance relates to the Rugby World Cup arrangement that the Council was required to enter into as part of the Host City agreement. Final expenditure was £663k more than originally anticipated. This arose partly from additional security and safety measures and a reduction in Fanzone income following the home nations' early elimination from the tournament. This was to some extent offset by a range of over and underspends in other service areas.

Finance and Corporate Services (underspend of £533k)

This is made up of a range of variances across the services with the most significant being underspends on Internal Audit, Accountancy and Council Tax and Benefits. These variances have arisen from staffing underspends (Audit and Accountancy) and additional grant income (Council Tax and Benefits).

Central Items (underspend of £1.261m)

This relates mainly to Treasury Management where lower interest rates led to a net underspend on interest earned and paid of £0.6m, and £0.8m of accrued interest on the West London Waste Authority Loan.

REVENUE RESERVES

The Council's General Fund Reserve remains unchanged at £9.956m which represents 6.5% of the Council's budget requirement for 2016/17 and is within the guidelines agreed by the Council. Other reserves have reduced by £3.7m and of this £2.5m relates to schools reserves and reserves that are outside the Council's control.

The Council's overall reserves position therefore remains robust, although it should be noted that it is low compared with other London Boroughs and that the largest single reserve (the Council Tax Freeze Grant Reserve) is entirely committed within the Council's Medium Term Financial Strategy.

Further detail on all Earmarked Reserves is available in Note 13.

CAPITAL OUTTURN

As can be seen from the table, there were no significant variances on the capital programme. Overall expenditure was lower than in recent years reflecting the completion of a number of schools projects.

Service	Revised Budget £000	Outturn £000	Variance £000
Education and Children's Services	16,976	16,976	0
Adult and Community Services	3,107	3,051	(56)
Environment	13,747	13,765	18
Finance and Corporate Services	4,204	4,204	0
	38,034	**37,996**	**(38)**

Further details of specific capital schemes are available in the detailed Directorate outturn reports. These are available on the Council's website (www.richmond.gov.uk).

REVIEW OF 2015/16

The Council's key achievements in 2015/16 were:

- No Council Tax increase since 2009
- The achievement of £7.9m of budgeted efficiency savings through the re-procurement of contracts, restructuring of services and generation of additional income
- The Council has continued its capital investment programme which has since 2010 funded:

- The creation of 3,477 primary school places, with the current programme funding a further 512 new places
- The creation of 900 secondary school places, with the current programme funding a further 750 new places
- The creation of 1,480 6th form places in the borough's secondary schools
- The completion of phase one of the Uplift Programme in Hampton North, Ham, Whitton, Barnes and Mortlake and the purchase of the King Street/Water Lane site
- In the last year 40,000 sq. metres of roads have been resurfaced.

The Council has the following satisfaction ratings, all of which exceed national benchmarks:

Measure	2015 (%)	2014 (%)	Change (%)	Bench-mark (%)
Satisfied with the local area	97	96	+1	82
Satisfied with the way the Council runs things	81	83	-2	68
Agree that the Council provides value for money	64	62	+2	51

The full results of the survey are available at: https://consultation.richmond.gov.uk/community-engagement/residents_2015.

PENSIONS DEFICIT

The accounts show a deficit in the Pension Fund of £155.2m at 31 March 2016 (decreased from £191.3m at 31 March 2015). This figure is calculated by the Council's Actuary and is an estimate of the shortfall in funds available to the Pension Fund to meet all of its liabilities. The calculation is heavily dependent on the assumptions made by the Actuary about factors such as investment return, longevity, and future inflation rates. The main reason for the decrease in the deficit is changes in financial assumptions which include an increased discount rate reducing the net present value of projected liabilities. The Council has a 20 year plan in place to recover the deficit. In addition, the changes following the Hutton Review of public sector pensions have been implemented from April 2014. These changes are expected to reduce the overall cost of pensions to Councils.

OTHER SIGNIFICANT ITEMS TO NOTE

There are a number of significant items included in the detail of the Accounts:

- Capital receipts totalling £1.6m were received in 2015/16 (£5.3m in 2014/15) for the sale of various Council assets including the sale of Mill Farm land for £0.7m and Preserved Right To Buy receipts of £0.9m.
- The Council has paid £2.5m for the purchase of United Reform Church, Richmond, with the intention to extend the adjacent Richmond Library.
- In 2015/16 the Council made a loan of £3.9m to the West London Waste Authority (in addition to £5.6m in 2014/15 and £2.4m in 2013/14). This loan will form part of an overall

loan of £15.0m, payable over 4 financial years, depending upon completion of milestone events during the construction of the waste facility it is financing. The Council therefore now shows a £11.9m loan on its Balance Sheet as a long term debtor. This is unusual as a loan made for policy and not treasury investment purposes. Further details can be found at: https://cabnet.richmond.gov.uk/documents/s41063/West%20London%20Waste%20Authority%20residual%20waste%20funding%20issues.pdf.

CURRENT BORROWING FACILITIES AND CAPITAL BORROWING

The Council increased its underlying need to borrow (Capital Financing Requirement) by £12.6m during the year to £143.1m. This increase represented part funding for £38.7m of capital spend incurred during the year. The Council increased its actual borrowing by £29.6m in the form of Public Works Loans Board (PWLB) loans. This increased total external borrowing to £98.1m. The Council will occasionally borrow short term to fund cash flow but this year-end balance represents capital borrowing. Details of the Council's capital programme and treasury strategy are reported to Cabinet every February. These reports give further information on the nature of the capital spend being financed, and the decision making process around how and when to borrow for capital purposes.

INTERNAL AND EXTERNAL FUNDS TO MEET CAPITAL AND PFI COSTS

The Council sets a 6 year capital programme every February, which details the current and next 5 years planned capital spend. This includes how spend will be financed, and the relevant Prudential Indicators required to enable the Council to ensure all capital borrowing is affordable, sustainable and prudent. The Council does not receive enough Government funding to finance all its capital spend, with grants funding just under 25% of the programme. S106 receipts are being used in line with their specific conditions to fund around £20.0m of the capital programme over the next 5 years. The Council does not hold significant balances of capital receipts, with almost £22.0m of spend planned to be financed from new receipts. The most significant source of funding is now borrowing; representing almost 50% of funding. The Council will work to secure external resources wherever possible, bidding for grants and other contributions, as well as using revenue resources (including reserves) and capital receipts in preference to taking out further loans.

The Council has 2 PFI projects (see Note 20) and recognises £15.7m of long term liability as funding for the care homes and schools assets acquired under these 2 contracts. There are further financing leases which relate to vehicles and buildings, with an associated long term liability of £4.7m.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

The Council's financial strategy continues to be set against a background of austerity measures designed to reduce the UK budget deficit and public borrowing alongside continuing increases in demand for public services.

The 2016 Local Government Finance Settlement (LGFS) was the worst settlement in recent times for the Council. In 2015/16, the Council budgeted to receive £44.3m in Revenue Support Grant and Retained Business Rates. By 2019/20, that amount will have reduced to £14.9m, a 66% reduction. This level of reduction is twice the London and all England average and leaves Richmond as the worst funded London Borough.

The key objective enshrined in the MTFS has previously been to work towards "*zero or sustainable low increases*" in Council Tax. Whilst the Council would wish to continue to operate in accordance the principles set out above, the 2016 LGFS has made a zero or near zero increase in Council Tax impossible to achieve without unacceptably damaging cuts to services. As a result the key objective was changed in February 2016 to:

"The Council will continue to set the lowest possible Council Tax consistent with caring for the most vulnerable in our community".

The February 2016 update of the MTFS identified 4 key factors for the Council which have a bearing on the achievement of its objective for Council Tax:

- Central Government policy in relation to deficit reduction as reflected in the LGFS
- The requirement for the Council to achieve further expenditure reductions whilst maintaining the quality of services together with ensuring existing plans are fully implemented
- The continuing need for capital investment
- The desire to restrict increases in Council tax where possible.

Between 2011/12 and 2015/16, the Council has achieved efficiencies of £39.7m. These savings can broadly be categorised as £19.0m from internal restructuring and the sharing of services with other organisations, £10.8m from procurement and contract savings and £9.9m from income generation, inflation restrictions and other savings.

The MTFS identified the need for further savings of £31.2m to limit Council Tax increases of 3.99%. Of these savings, £22.2m has already been identified including £10.0m from joint working with LB Wandsworth (see below).

The Council will continue to need to ensure that the following are achieved:

- That all spending is managed within the overall agreed budget
- That the headcount of the Council is reduced
- That the proposed Shared Staffing Arrangement with LB Wandsworth yields its target level of savings
- That the commissioning process continues to yield real savings whilst maintaining excellent service standards
- That the capital programme is set at a prudent, affordable level to achieve the Council's priorities.

FORWARD LOOK

The Council's key challenges for 2016/17 and beyond are:

- Achievement of Council Tax goals in the light of continued reductions in Government funding and increasing demand for services
- Ensuring the affordability of the large capital programme
- Delivering the Shared Staffing Arrangement with LB Wandsworth and the consequent savings
- Delivering further savings through the commissioning process

- Managing the financial implications of the changes to care funding

- Maintaining sufficient reserves to allow the Council to deal with any unexpected short term financial problems e.g. higher than budgeted inflation

- Ensuring that the Council's shared Children's Services company, AfC, is able to realise its target savings whilst coping with increasing demand for services.

SHARED STAFFING ARRANGEMENT (SSA) WITH THE LONDON BOROUGH OF WANDSWORTH

In January 2015, the Leaders of LB Richmond and LB Wandsworth jointly announced their intention to create a shared staffing structure, moving towards a unified staff group over a 2 year period. Initially the focus is on merging staffing structures. In the longer term there will be opportunities for further savings, for example getting better deals from suppliers when commissioning services. The shared approach will save each Council an estimated £10m per year. One of the first priorities has been the creation of a single senior management structure across the two Councils, with the appointment of a joint team in August 2015.

This is an ambitious challenge for both organisations. Collectively the single workforce serving both councils will be the biggest staff group in London local government, which will enable the Council to retain quality, specialisms and expertise which are more sustainable in a larger organisation. The Council's staff will be at the forefront of forging change in local government. Staff skills and experience will be much needed as the Council seeks to maintain and even improve its service delivery while in a period of transition and change.

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Council

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Finance and Corporate Services

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Statement of Accounts, including the Pension Fund, in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing the Statement of Accounts, the Director of Finance and Corporate Services has:

- selected suitable Accounting Policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with The Code.

The Director of Finance and Corporate Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Richmond upon Thames as at the 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Mark Maidment
Director of Finance and Corporate Services
15th September 2016

CERTIFICATE OF APPROVAL

These financial statements were approved by the Statutory Accounts Committee on 15th September 2016.

Councillor Lord True
Chairman
Statutory Accounts Committee
15th September 2016

Date authorised for issue: This statement of accounts is authorised for issue on 15th September 2016 and any events up to this date are reflected in the note on events after the Balance Sheet date – see Note 4.

THE CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 net position for Council Tax setting purposes is shown in the balance of the Movement in Reserves Statement.

		31 March 2016			31 March 2015		
		Expenditure	Income	Net	Expenditure	Income	Net
	Notes	£000	£000	£000	£000	£000	£000
Central Services to the Public		6,359	(3,303)	3,056	6,807	(3,288)	3,519
Cultural and Related Services		24,820	(6,266)	18,554	21,994	(4,738)	17,256
Environmental and Regulatory Services		20,556	(5,339)	15,217	22,975	(6,422)	16,553
Planning Services		10,636	(4,017)	6,619	9,493	(4,071)	5,422
Education and Children’s Services		171,041	(124,461)	46,580	171,297	(119,372)	51,925
Highways and Transport Services		27,076	(15,201)	11,875	29,233	(15,514)	13,719
Housing Services (General Fund)		83,483	(77,888)	5,595	82,819	(76,195)	6,624
Adult Social Care		80,703	(22,785)	57,918	77,267	(19,672)	57,595
Public Health		8,735	(8,735)	0	8,283	(8,094)	189
Corporate and Democratic Core		3,249	(64)	3,185	3,826	(184)	3,642
Non Distributed Costs*		3,180	(32)	3,148	(3,512)	(30)	(3,542)
Cost of Services		**439,838**	**(268,091)**	**171,747**	**430,482**	**(257,580)**	**172,902**
Other Operating Expenditure	*7*	11,715	(5,273)	6,442	8,730	(11,262)	(2,532)
Financing and Investment Income and Expenditure	*8*	4,181	(2,617)	1,564	16,716	(8,100)	8,616
Taxation and Non-Specific Grant Income	*9*	0	(170,472)	(170,472)	2,021	(178,748)	(176,727)
(Surplus) or deficit on Provision of Services		**455,734**	**(446,453)**	**9,281**	**457,949**	**(455,690)**	**2,259**
(Surplus) or deficit on revaluation of Property, Plant and Equipment	*16*	0	(12,767)	(12,767)	0	(52,789)	(52,789)
Actuarial (gains)/losses on pension assets/liabilities	*37*	0	(41,341)	(41,341)	35,368	0	35,368
Other Comprehensive Income and Expenditure		**0**	**(54,108)**	**(54,108)**	**35,368**	**(52,789)**	**(17,421)**
Total Comprehensive Income and Expenditure		**455,734**	**(500,561)**	**(44,827)**	**493,317**	**(508,479)**	**(15,162)**

* The negative expenditure in 2014/15 relates to the one off transfer of staff and their related pensions costs to AfC, offsetting pensions contributions made in prior periods.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the change to the statutory General Fund balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	Notes	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 carried forward		**(9,956)**	**(48,688)**	**(1,899)**	**(4,211)**	**(64,754)**	**(515,490)**	**(580,244)**
Movement in reserves during 2014/15								
(Surplus) or deficit on Provision of Services	*CI&E*	2,259	0	0	0	2,259	0	2,259
Other Comprehensive Expenditure and Income	*CI&E*	(17,421)	0	0	0	(17,421)	0	(17,421)
Total Comprehensive Expenditure and Income		**(15,162)**	**0**	**0**	**0**	**(15,162)**	**0**	**(15,162)**
Adjustments between accounting basis and funding basis under regulations		14,349	0	(4)	(2,052)	12,293	(12,293)	0
Net increase/decrease before Transfers to Earmarked Reserves		**(813)**	**0**	**(4)**	**(2,052)**	**(2,869)**	**(12,293)**	**(15,162)**
Transfers to/from Earmarked Reserves		813	(813)	0	0	0	0	0
Increase/decrease (movement) in year		**0**	**(813)**	**(4)**	**(2,052)**	**(2,869)**	**(12,293)**	**(15,162)**
Balance at 31 March 2015 carried forward		**(9,956)**	**(49,501)**	**(1,903)**	**(6,263)**	**(67,623)**	**(527,783)**	**(595,406)**
Movement in reserves during 2015/16								
(Surplus) or deficit on Provision of Services	*CI&E*	9,281	0	0	0	9,281	0	9,281
Other Comprehensive Expenditure and Income	*CI&E*	(54,108)	0	0	0	(54,108)	0	(54,108)
Total Comprehensive Expenditure and Income		**(44,827)**	**0**	**0**	**0**	**(44,827)**	**0**	**(44,827)**
Adjustments between accounting basis and funding basis under regulations		48,875	0	(288)	(210)	48,377	(48,377)	0
Net increase/decrease before Transfers to Earmarked Reserves		**4,048**	**0**	**(288)**	**(210)**	**3,550**	**(48,377)**	**(44,827)**
Transfers to/from Earmarked Reserves		(4,048)	4,048	0	0	0	0	0
Increase/decrease (movement) in year		**0**	**4,048**	**(288)**	**(210)**	**3,550**	**(48,377)**	**(44,827)**
Balance at 31 March 2016 carried forward		**(9,956)**	**(45,453)**	**(2,191)**	**(6,473)**	**(64,073)**	**(576,160)**	**(640,233)**

BALANCE SHEET

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in 2 categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council 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 were 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	**31 March 2016 £000**	**31 March 2015 £000**
Property, Plant and Equipment	*16*	844,174	825,746
Heritage Assets	*17*	2,786	2,747
Investment Property	*18*	17,290	14,301
Intangible Assets	*19*	146	219
Long Term Investments	*27*	750	2,250
Long Term Debtors	*23/27*	25,452	17,728
Long Term Assets		**890,598**	**862,991**
Short Term Investments	*27*	21,567	8,638
Assets Held for Sale	*22*	0	1,687
Inventories		54	45
Short Term Debtors	*23*	38,069	49,740
Cash and Cash Equivalents	*27*	26,082	17,829
Current Assets		**85,772**	**77,939**
Short Term Borrowing	*27*	(4,906)	(2,203)
Short term Creditors	*24*	(44,811)	(46,612)
Provisions	*25*	(3,756)	(2,714)
Current Liabilities		**(53,473)**	**(51,529)**
Long Term Creditors	*24*	(1,069)	(1,247)
Grants Receipts in Advance - Capital	*24*	(4,321)	(6,404)
Provisions	*25*	(710)	(270)
Long Term Borrowing	*27*	(94,011)	(66,948)
Other Long Term Liabilities	*26*	(182,553)	(219,126)
Long Term Liabilities		**(282,664)**	**(293,995)**
Net Assets		**640,233**	**595,406**
Usable Reserves	*14*	(64,073)	(67,623)
Unusable Reserves	*15*	(576,160)	(527,783)
Total Reserves		**(640,233)**	**(595,406)**

CASH FLOW STATEMENT

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Cash flows on investing activities include capital expenditure and changes in levels of short and long term investments (i.e. cash flows associated with assets). Cash flows on financing activities primarily include changes in long and short term borrowing and changes to principal balances on finance leases (i.e. include the changes to external borrowing of the Council).

	Notes	**31 March 2016 £000**	**31 March 2015 £000**
Net (surplus) or deficit on the Provision of Services		9,281	2,259
Adjustments to net (surplus) or deficit on the Provision of Services for noncash movements		(25,387)	(17,826)
Adjustments for items included in the net (surplus) or deficit on the Provision of Services that are Investing and Financing Activities		1,329	5,450
Net cash flows from Operating Activities		**(14,777)**	**(10,117)**
Investing Activities	*30*	36,963	22,804
Financing Activities	*31*	(30,439)	(20,443)
Net (increase) or decrease in cash and cash equivalents		**(8,253)**	**(7,756)**
Cash and cash equivalents at the beginning of the reporting period		17,829	10,073
Cash and cash equivalents at the end of the reporting period		**26,082**	**17,829**
Which is made up of the following:			
Cash held by the Council		24	28
Bank current accounts		(2,292)	(3,699)
Short term readily convertible investments		28,350	21,500
		26,082	**17,829**

HOW THE ACCOUNTS ARE PREPARED

NOTE 1 ACCOUNTING POLICIES AND STANDARDS

Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its year-end position at 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices comprise the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code)
- Service Reporting Code of Practice 2015/16 (SERCOP)
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC)
- Relevant statutory guidance issued by Government.

The Council has agreed and followed a detailed set of Accounting Policies in the preparation of this Statement of Accounts, a copy of which is available in Technical Annexe 1.

The most significant policies to note are:

- **Recognition 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:

  Income – 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 it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

  Expenditure – Supplies are recorded as expenditure when they are consumed. 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.

- **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.

  Measurement – Assets are initially measured at cost, comprising the purchase price and 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.

  Revaluation – Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but no less often than every 5 years.

  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.

Depreciation – Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

- **Interests in Companies and Other Entities**
  Where the Council assess that its relationship with another entity is classified as a Subsidiary, Associate, or Joint Venture it will present its accounts to reflect these interests as follows:

  Subsidiary – An entity will be a subsidiary where the Council controls it. This control is determined by power over the entity, exposure or rights to returns from the entity, and the ability to affect the amount of those returns. Where material, the Council will consolidate the accounts of this entity into its own accounts on a line by line basis. 100% of all transactions and balances will be consolidated into the Council's Accounts and the Council will present both single entity and consolidated Group Accounts.

  Associate – An entity will be an Associate where the Council assesses that it has significant influence over the operations of another entity. Where this is the case the interest will be represented in the Council's Accounts using the equity method. The original investment will be adjusted for the current share of the net assets and the relevant share of profit or loss is recognised in the Comprehensive Income and Expenditure Account.

  Joint Entities – These are either Joint Ventures or Joint Operations depending on the basis of asset/liabilities allocation between the controlling entities. If the Council enters into an agreement whereby there is joint control over another entity it will, where material, consolidate this interest using the proportionate line by line method. This entails consolidating the other entity's Accounts with the Council's Accounts in line with the proportion of control that is held.

- **Pension Schemes**
  There are 3 pension schemes available to Council employees:

  Teachers' Pension Scheme available to teachers
  National Health Service Pension Scheme available to staff transferring from the NHS
  Local Government Pensions Scheme (LGPS) available to all other staff.

  These are all Defined Benefit schemes, but the first 2 are accounted for as Defined Contribution schemes due to their nature (see Note 36 for further information).

  For Defined Contributions schemes, the payments are accounted for on an accruals basis with no adjustment under IAS 19.

  The LGPS is accounted for as required by IAS 19 to show the cost of benefits earned in the year of account against the relevant service. This uses figures provided by the Actuary in assessing the current value of benefits earned during the year, the impact of decisions or changes made during the year, and interest and re-measurement costs. These costs are then adjusted in the Movement in Reserves Statement to ensure only the cash paid to the Pension Fund is charged to the General Fund in the year.

Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies (set out in Technical Annexe 1, and above), the Council has made certain judgements about transactions, relationships, and uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty around the future funding for local government. In addressing the future risks that arise from this uncertainty the Council believes there are no indications that assets need to be impaired as a result of a need to close facilities and reduce levels of service provision.

- In view of the economic position and the uncertainty over future funding levels, the Council has planned efficiency savings. Staffing levels have been reduced and the cost of redundancies has generally been met from savings and reserves. An earmarked reserve has been established to help meet the cost of implementing future efficiency savings, including redundancy costs. The Council is also making use of the option to use capital receipts to fund one off service reforms as reported to Cabinet in June 2016.

- The Council has established a trust; Orleans House Trust, that controls donated assets comprising of an historic building, adjacent properties, and an extensive art collection. During 2013/14 an ongoing agreement was put in place between the Council and the Trust which records both parties' respective responsibilities in relation to their common purpose. The Trust continues to be assessed as a Subsidiary and has been included in the Council's consolidated Group Accounts on this basis.

- During 2013/14, both the Council and RB of Kingston upon Thames set up a community interest company called Achieving for Children (AfC) to provide their Children's Services. The aim of AfC is to focus on providing high quality frontline services by creating economies of scale and reducing management and overhead costs. The company was registered at Companies House in February 2014 became fully operational on 1 April 2014.

  Both Councils have joint control over the company and as such it is judged that the company is a Joint Entity (Joint Venture). Separate consolidated Group Accounts have therefore been presented since 2014/15. The Council's interest is 50% as both Councils hold an equal share in AfC. AfC has been assessed as a going concern; a profit of £4.9m has been reported in 2015/16 (largely as a result of changes in pension valuations), compared to a loss in 2014/15, the first year of trading.

Accounting Standards Issued Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) introduces a number of changes in Accounting Policies which will need to be adopted fully by the Council in the 2016/17 financial statements. All changes are minor and have no impact, except those on Transport Infrastructure Assets.

If the changes were to be implemented in 2015/16, the value of Transport Infrastructure Assets would (estimated) increase from £0.1bn to £3.2bn.

Further details on Transport Infrastructure Asset changes and impact of these changes are available in Technical Annexe 1.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

NOTE 2 RESTATEMENT OF PRIOR YEAR FIGURES

Restatement is only undertaken where there is a change in Accounting Policies. Where notes or primary statements have been updated the relevant figures are marked as restated.

No restatement is required for 2014/15 comparative figures as there have not been any changes to the Council's Accounting Policies which require retrospective adjustment.

NOTE 3 ACQUIRED AND DISCONTINUED OPERATIONS

As part of the full implementation of the Health and Social Care Act 2012 the contract and commissioning responsibilities for Public Health Services for 0-5 year olds (health visiting) transferred from NHS England to the Council on 1 October 2015. The annual allocation for LB Richmond is £2.6m (plus £0.03m commissioning support). Full amounts of the Public Health Grant are shown in Note 11.

NOTE 4 EVENTS AFTER THE BALANCE SHEET DATE

On the 23 June 2016 the European Union (EU) Referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after 31 March 2016 there was no impact on the figures contained within the Pension Fund Accounts. However, this decision has the potential to significantly impact on future basis of assumptions, estimates, and the value of investments. The Council will need to ensure this is considered in future years.

The Property, Plant and Equipment line in the Balance Sheet contains building valuations totalling £119,255k for 7 Academy schools which will transfer off the Balance Sheet in 2016/17. The assets are currently the responsibility of the Council but will transfer to the Academies following the completion of capital projects and the commencement of individual 125 year leases for each Academy. This will result in a net loss on disposal of £119,255k charged to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement, and a reduction of £119,255k on the Unusable Reserves.

NOTE 5 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These Directorate reports are prepared on a management accounts basis and differ from the Accounting Policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

A nil outturn variance was reported to Cabinet in June 2016. The table below shows the final management position.

Service Information for the year ended 31 March 2016	Education and Children's Services	Environment	Adult and Community Services	Finance and Corporate Services	Central Items	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges, etc.	(12,896)	(38,321)	(23,807)	(3,998)	(926)	**(79,948)**
Interest and investment income	0	0	0	0	(1,472)	**(1,472)**
Income from Council Tax	0	0	0	0	(111,076)	**(111,076)**
Net Income from Business Rates	0	0	0	0	(19,526)	**(19,526)**
Government Grants	(12,802)	(646)	(86,031)	(992)	(27,232)	**(127,703)**
Dedicated Schools Grant	(95,548)	0	0	0	0	**(95,548)**
Reserves	0	0	0	0	(3,212)	**(3,212)**
Total Income	**(121,246)**	**(38,967)**	**(109,838)**	**(4,990)**	**(163,444)**	**(438,485)**
Employees	72,069	16,868	26,120	11,636	(249)	**126,444**
Other services expenses	84,767	39,061	156,960	7,856	742	**289,386**
Support Services/Recharges	2	428	342	1,586	0	**2,358**
Depreciation, Impairment, etc.	28	0	0	0	8,635	**8,663**
Interest payments	0	0	0	0	3,266	**3,266**
Precepts and Levies	0	7,723	0	645	0	**8,368**
Total Expenditure	**156,866**	**64,080**	**183,422**	**21,723**	**12,394**	**438,485**
Net Expenditure	**35,620**	**25,113**	**73,584**	**16,733**	**(151,050)**	**0**

Service Information for the year ended 31 March 2015	Education and Children's Services	Environment	Adult and Community Services	Finance and Corporate Services	Central Items	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges, etc.	(19,292)	(36,509)	(28,579)	(5,147)	710	**(88,817)**
Interest and investment income	0	0	0	0	(1,160)	**(1,160)**
Income from Council Tax	0	0	0	0	(109,936)	**(109,936)**
Net Income from Business Rates	0	0	0	0	(19,544)	**(19,544)**
Government Grants	(8,351)	(104)	(78,540)	(1,910)	(36,125)	**(125,030)**
Dedicated Schools Grant	(92,250)	0	0	0	0	**(92,250)**
Reserves	0	0	0	0	952	**952**
Total Income	**(119,893)**	**(36,613)**	**(107,119)**	**(7,057)**	**(165,103)**	**(435,785)**
Employees	69,444	15,264	24,805	16,239	(193)	**125,559**
Other services expenses	84,338	34,874	154,803	9,969	1,178	**285,162**
Support Services/Recharges	15	660	408	1,279	0	**2,362**
Depreciation, Impairment, etc.	(1)	0	0	0	12,288	**12,287**
Interest payments	0	0	0	0	2,517	**2,517**
Precepts and Levies	0	7,250	0	648	0	**7,898**
Total Expenditure	**153,796**	**58,048**	**180,016**	**28,135**	**15,790**	**435,785**
Net Expenditure	**33,903**	**21,435**	**72,897**	**21,078**	**(149,313)**	**0**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of management accounts above (as reported in the Cabinet outturn report) are adjusted to arrive at the totals reported in the (surplus) or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:

2015/16	Service analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total (surplus)/ deficit on Provision of Services
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges, etc.	(79,948)	(38,581)	2,793	47,808	**(67,928)**	(7,757)	**(75,685)**
Interest and investment income	(1,472)	0	1,472	0	**0**	(1,959)	**(1,959)**
Income from Council Tax	(111,076)	0	111,076	0	**0**	(112,322)	**(112,322)**
Net Income from Business Rates	(19,526)	0	19,526	0	**0**	(19,526)	**(19,526)**
Government Grants	(127,703)	(1,104)	24,025	167	**(104,615)**	(31,526)	**(136,141)**
Dedicated Schools Grant	(95,548)	0	0	0	**(95,548)**	0	**(95,548)**
Reserves	(3,212)	0	3,212	0	**0**	0	**0**
Gain or Loss on disposal of assets	0	0	0	0	**0**	(5,272)	**(5,272)**
Total Income	**(438,485)**	**(39,685)**	**162,104**	**47,975**	**(268,091)**	**(178,362)**	**(446,453)**
Employees	126,444	(683)	(1,005)	(18,998)	**105,758**	5,897	**111,655**
Other services expenses	289,386	7,778	(1,443)	(16,448)	**279,273**	28	**279,301**
Support Services/Recharges	2,358	39,437	(2)	(11,456)	**30,337**	3	**30,340**
Depreciation, Impairment, etc.	8,663	25,514	(8,634)	(1,073)	**24,470**	(3,432)	**21,038**
Interest payments	3,266	0	(3,266)	0	**0**	5,032	**5,032**
Precepts and Levies	8,368	0	(8,368)	0	**0**	8,368	**8,368**
Total Expenditure	**438,485**	**72,046**	**(22,718)**	**(47,975)**	**439,838**	**15,896**	**455,734**
(Surplus) or deficit	**0**	**32,361**	**139,386**	**0**	**171,747**	**(162,466)**	**9,281**

2014/15	Service analysis	Amounts not reported within management Accounts	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total (surplus)/ deficit on Provision of Services
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges, etc.	(88,817)	(35,987)	4,249	50,999	**(69,556)**	(14,393)	**(83,949)**
Interest and investment income	(1,160)	0	1,160	0	**0**	(1,810)	**(1,810)**
Income from Council Tax	(109,936)	0	109,936	0	**0**	(109,186)	**(109,186)**
Net Income from Business Rates	(19,544)	0	19,544	0	**0**	(19,544)	**(19,544)**
Government Grants	(125,030)	(8,701)	36,125	1,831	**(95,775)**	(41,915)	**(137,690)**
Dedicated Schools Grant	(92,250)	0	0	0	**(92,250)**	0	**(92,250)**
Reserves	952	0	(952)	0	**0**	0	**0**
Gain or loss on disposal of assets	0	0	0	0	**0**	(11,262)	**(11,262)**
Total Income	**(435,785)**	**(44,688)**	**170,062**	**52,830**	**(257,581)**	**(198,110)**	**(455,691)**
Employees	125,559	(9,086)	(1,575)	(19,261)	**95,637**	8,125	**103,762**
Other services expenses	285,162	11,448	(3,316)	(16,939)	**276,355**	11,733	**288,088**
Support Services/Recharges	2,362	40,943	0	(11,024)	**32,281**	1,150	**33,431**
Depreciation, Impairment, etc.	12,287	31,817	(12,288)	(5,606)	**26,210**	(5,794)	**20,416**
Interest payments	2,517	0	(2,517)	0	**0**	4,355	**4,355**
Precepts and Levies	7,898	0	(7,898)	0	**0**	7,898	**7,898**
Total Expenditure	**435,785**	**75,122**	**(27,594)**	**(52,830)**	**430,483**	**27,467**	**457,950**
(Surplus) or deficit	**0**	**30,434**	**142,468**	**0**	**172,902**	**(170,643)**	**2,259**

Service Analysis – This represents the amounts reported to management during the year.

Amounts not reported to Management for decision making – These are items that are not reported as part of management accounts as they are assessed as being non-controllable. They mainly consist of income and expenditure associated with charging out overheads internally (recharges) and costs associated with the value of assets (e.g. depreciation, impairments etc.).

Amounts not included in the I&E – These amounts are those that are reported as part of the Movement in Reserves Account and those that are reported below the Cost of Services line in the Comprehensive Income and Expenditure Statement.

Corporate Amounts – These are the amounts that are reported below the Cost of Services line on the Comprehensive Income and Expenditure Statement. They mainly consist of levies, non-ring-fenced or capital grants, Council Tax and Business Rates income.

NOTE 6 MATERIAL ITEMS OF INCOME AND EXPENSE

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2015/16 the following material items were reported as part of the accounts:

- Capital receipts totalling £1.6m were received in 2015/16 (£5.3m in 2014/15) for the sale of various Council assets including the sale of Mill Farm land for £0.7m and Preserved Right To Buy receipts of £0.9m.

- No single S106 contributions above £1m have been received in 2015/16. £1.3m was received in 2014/15 from Brewery Wharf Developers.

- The Rugby World Cup was held between 18 September 2015 and 31 October 2015 and with Twickenham being the main venue, the Council signed up to a Host City Agreement with England 2015. One of the key commitments was to provide a Fanzone within the Borough where fans could share the enjoyment of a match on a big screen while also being able to purchase food/drink merchandise and associated products. In addition to the Fanzone, the Council had an important role to play in helping to deliver the games outside the stadium and worked with the Rugby Football Union (RFU) and England 2015 to promote the Rugby World Cup and the Borough, keep the streets clean and safe, manage crowds, and help to ensure smooth travel arrangements to and from the games whilst minimising the impact on residents. The net cost to the Council in 2015/16 was £0.9million.

- The Council has paid £2.5m for the purchase of United Reform Church, Richmond, with the intention to extend the adjacent Richmond Library.

- In 2015/16 the Council made a loan of £3.9m to the West London Waste Authority (in addition to £5.6m in 2014/15 and £2.4m in 2013/14). This loan will form part of an overall loan of £15.0m, payable over 4 financial years, depending upon completion of milestone events during the construction of the waste facility it is financing. The Council therefore now shows £11.9m loan on its Balance Sheet as a long term debtor. This is unusual as a loan made for policy and not treasury investment purposes. Further details can be found from the following link: https://cabnet.richmond.gov.uk/documents/s41063/West%20London%20Waste%20Authority%20residual%20waste%20funding%20issues.pdf.

NOTE 7 OTHER OPERATING EXPENDITURE

	2015/16 £000	2014/15 £000
Levies payable		
West London Waste Authority (WLWA)	7,466	6,983
Lee Valley Regional Park	257	267
London Pensions Fund Authority	325	332
Environment Agency	196	195
Coroner's Service	124	121
Administration costs	0	3
Payment of housing capital receipts to Gov't Pool	10	16
(Gain)/loss on disposal of Non-Current Assets	(1,936)	(10,599)
HLU distribution of capital receipts	0	150
Total	**6,442**	**(2,532)**

NOTE 8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £000	2014/15 £000
Interest payable and similar charges	5,032	4,355
Pensions interest cost and expected return on pensions assets	5,897	6,491
Interest receivable and similar income	(1,959)	(1,810)
Income and expenditure in relation to investment properties and changes in their fair value	(7,406)	(420)
Total	**1,564**	**8,616**

Trading accounts are also included under Financing and Investment Income and Expenditure. These accounts net to nil as they are fully charged out to services during the year. The gross figures for income and expenditure are £2.880m in 2015/16 and £5.991m in 2014/15.

Both the Print Unit and the Pantry Service closed on 30 May 2015 and are now provided by the Council's Total Facilities Maintenance provider, Babcock Support Services. Transport Operations provides transport for clients in Adult Social Care and provided Children's Services transport, the former of which transferred to Achieving for Children (AfC) on the 1 September 2015.

NOTE 9 TAXATION AND NON-SPECIFIC GRANT INCOME

The Council credited the following grants and contributions to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement:

Grants & Contributions Credited to Taxation & Non Specific Grant Income	2015/16 £000	2014/15 £000
Council Tax Income (including Collection Fund surplus)	**(112,322)**	**(110,878)**
Business Rates Income and Expenditure*	**(19,526)**	**(19,544)**
Revenue Support Grant	(21,584)	(25,786)
Council Tax Freeze Grant	(1,197)	(1,189)
S31 Grants	(1,149)	(1,181)
Non Ring-fenced Government Grants	**(23,930)**	**(28,156)**
Capital Grants	(11,824)	(13,003)
Capital Contributions	(1,070)	(2,898)
S106 Contributions	(1,800)	(2,248)
Capital Grants and Contributions	**(14,694)**	**(18,149)**
Total Taxation and Non Specific Grant Income	**(170,472)**	**(176,727)**

* Includes Business Rates Tariff and Levy

Full breakdowns of all capital and revenue grants and contributions are available in Note 11.

NOTE 10 DEDICATED SCHOOLS GRANT AND SCHOOL BUDGETS

The Council's expenditure on schools is funded primarily by grant income provided by the Department for Education (DfE) – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2015/16 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2015/16 before Academy recoupment			132,067
Less Academy figure recouped for 15/16			(36,491)
DSG after Academy recoupment			**95,576**
2014/15 adjustment for early years			(28)
Total DSG			**95,548**
Brought forward from 2014/15			(104)
Agreed initial budgeted distribution in 2015/16	**25,301**	**70,143**	**95,444**
In year adjustments			
Final budgeted distribution for 2015/16	**25,301**	**70,143**	**95,444**
Less Actual central expenditure	27,255	0	27,255
Less Actual ISB deployed to schools	0	70,143	70,143
Carry forward to 2016/17	**(1,954)**	**0**	**(1,954)**

	Revenue £000	Capital £000
Schools' balances at 1 April 2015	(10,657)	(592)
Revenue balances draw down	927	0
Capital balances draw down	0	0
Schools' balances at 31 March 2016	**(9,730)**	**(592)**

	31 March 2016 £000	31 March 2015 £000
Range of size of revenue balances:		
Largest overdrawn balance	110	n/a
Largest surplus balance	(592)	(165)
Range of size of capital balances:		
Largest overdrawn balance	n/a	n/a
Largest surplus balance	(82)	(74)

NOTE 11 INCOME FROM GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions donations to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement:

	2015/16 £000	2014/15 £000
Council Tax Income (including Collection Fund surplus)	**(112,322)**	**(110,878)**
Business Rates*	**(23,355)**	**(23,257)**
Revenue Support Grant	(21,584)	(25,786)
Council Tax Freeze Grant	(1,197)	(1,189)
Section 31 Grants	(1,149)	(1,181)
	(23,930)	**(28,156)**
Basic Need Grant	(4,012)	(3,659)
Transport for London Grant	(3,392)	(5,165)
Targeted Basic Need Grant	(2,252)	(644)
S106 Contributions	(1,800)	(2,248)
Maintenance Grant	(1,212)	(1,182)
VASIS Information System Grant	(652)	(7)
Academies Grant	0	(3,344)
Other Capital Grants under £500k	(304)	(1,407)
Other Capital Contributions under £500k	(1,070)	(493)
Total Capital Grants and Contributions	**(14,694)**	**(18,149)**
Total Grants and Contributions	**(174,301)**	**(180,440)**

*Excludes Business Rates Tariff and Levy

The Council credited the following grants, contributions and donations to Cost of Service in the Comprehensive Income and Expenditure Statement:

	2015/16 £000	2014/15 £000
Dedicated Schools Grant	(95,548)	(92,250)
Housing Benefit Grant	(69,310)	(68,549)
Public Health Grant (including 0-5)	(8,654)	(7,891)
Better Care Fund Grant	(5,968)	(3,029)
New Homes Bonus Grant	(3,206)	(2,509)
Pupil Premium Grant	(3,101)	(3,067)
Richmond CCG Contributions	(2,741)	(3,659)
Free School Meals Grant	(2,728)	(1,410)
School's Contributions	(2,008)	(2,707)
S106 Contributions	(1,942)	(1,650)
Education Services Grant	(1,916)	(2,238)
School's PFI Contributions	(1,544)	(565)
Department for Education PFI Grant	(1,342)	(1,342)
Department of Health PFI Grant	(852)	(852)
Other Health Authority Contributions	(829)	(567)
Asylum Seeker Grant	(691)	(363)
Disabled Facilities Grant	(683)	(614)
Place Funding Grant	(618)	(297)
Housing Benefit Admin Subsidy Grant	(608)	(771)
Tackling Troubled Families Grant (including Extended TTF)	(586)	(71)
Public Realm Grant (Twickenham Station)	0	(1,600)
Transport for London Grant	0	(508)
Other Grants under £500k	(4,589)	(4,668)
Other Contributions under £500k	(614)	(499)
Total Grants and Contributions	**(210,078)**	**(201,676)**
Donations	(28)	(23)
Total Grants, Contributions and Donations	**(210,106)**	**(201,699)**

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

Grants and Contributions - Receipts in Advance	2015/16 £000	2014/15 £000
EFA Site Purchase Grant	(2,761)	(3,000)
S106 Contributions	(1,133)	(1,326)
Devolved Formula Capital Grant	(856)	(856)
Targeted Basic Need Grant	(43)	(2,295)
Other Grants under £500k	(565)	(143)
Total Long Term Receipts in Advance	**(5,358)**	**(7,620)**
Transformation Challenge Grant	(1,000)	0
Care Act Grant	(975)	0
Housing Benefit Subsidy	0	(558)
Other Grants under £500k	(1,746)	(1,974)
Other Contributions under £500k	(483)	(150)
Total Short Term Receipts in Advance	**(4,204)**	**(2,682)**

NOTES TO THE MOVEMENT IN RESERVES ACCOUNT

NOTE 12 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Movement in reserves during 2015/16:

	Usable Reserves						
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources							
Transfers to/(from) the Pensions Reserve							
Reversal of items relating to retirement benefits debited to CI&ES	21,839	0	0	0	**21,839**	**(21,839)**	**0**
Employer's pensions contributions and payments to pensioners due in year	14,212	0	0	0	**14,212**	**(14,212)**	**0**
Transfers to/(from) the Financial Instruments Adjustment Account	108	0	0	0	**108**	**(108)**	**0**
Transfers to/(from) the Collection Fund Adjustment Account	1,151	0	0	0	**1,151**	**(1,151)**	**0**
Transfers to/(from) the Accumulated Absences Account	(4)	0	0	0	**(4)**	**4**	**0**
Transfers to/(from) the Deferred Lease Income Account	28	0	0	0	**28**	**(28)**	**0**
Reversal of items debited or credited to the CI&ES							
Depreciation/amortisation	(15,889)	0	0	0	**(15,889)**	**15,889**	**0**
Impairment/revaluation loss (charged to I&E)	3,143	0	0	0	**3,143**	**(3,143)**	**0**
Revenue expenditure funded from capital under statute	(9,764)	0	0	0	**(9,764)**	**9,764**	**0**
Non-current assets written off on disposal/sale as part of gain/loss to the CI&ES	(3,336)	0	0	0	**(3,336)**	**3,336**	**0**
Movement in market value of Investment Property	6,768	0	0	0	**6,768**	**(6,768)**	**0**
Capital grants and contributions unapplied credited to the CI&ES	1,198	0	0	(1,198)	**0**	**0**	**0**
	19,454	**0**	**0**	**(1,198)**	**18,256**	**(18,256)**	**0**
Adjustments between Revenue and Capital Resources							
Transfer of cash sale proceeds from gain/loss on disposal	362	0	(362)	0	**0**	**0**	**0**

Contribution to finance Government Capital Receipts Pool	(10)	0	10	0	**0**	**0**	**0**
Capital expenditure financed from the General Fund (GF)	5,724	0	0	0	**5,724**	**(5,724)**	**0**
Statutory provision for the financing of capital investment charged against the GF	3,805	0	0	0	**3,805**	**(3,805)**	**0**
	9,881	**0**	**(352)**	**0**	**9,529**	**(9,529)**	**0**
Adjustments to Capital Resources							
Use of Capital Receipts Reserve to finance new capital expenditure	967	0	72	0	**1,039**	**(1,039)**	**0**
Application of grants to capital financing to the Capital Adjustment Account	0	0	0	988	**988**	**(988)**	**0**
Capital grants and contributions credited to the CI&ES applied to capital financing	14,630	0	0	0	**14,630**	**(14,630)**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(8)	0	**(8)**	**8**	**0**
Contribution to Deferred Capital Receipts West London Waste Authority loan	3,943	0	0	0	**3,943**	**(3,943)**	**0**
	19,540	**0**	**64**	**988**	**20,592**	**(20,592)**	**0**
Adjustments between accounting basis and funding basis under regulations	**48,875**	**0**	**(288)**	**(210)**	**48,377**	**(48,377)**	**0**

Movement in reserves during 2014/15:

	Usable Reserves						
	General Fund Balance	**Earmarked GF Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments to Revenue Resources							
Transfers to/(from) the Pensions Reserve							
Reversal of items relating to retirement benefits debited to CI&ES	(49,292)	0	0	0	**(49,292)**	**49,292**	**0**
Employer's pensions contributions and payments to pensioners due in year	14,294	0	0	0	**14,294**	**(14,294)**	**0**
Transfers to/(from) the Financial Instruments Adjustment Account	108	0	0	0	**108**	**(108)**	**0**
Transfers to/(from) the Collection Fund Adjustment Account	(804)	0	0	0	**(804)**	**804**	**0**
Transfers to/(from) the Accumulated Absences Account	442	0	0	0	**442**	**(442)**	**0**
Transfers to/(from) the Deferred Lease Income Account	28	0	0	0	**28**	**(28)**	**0**
Reversal of items debited or credited to the CI&ES							

Depreciation/amortisation	(23,955)	0	0	0	**(23,955)**	**23,955**	**0**
Impairment/revaluation loss (charged to I&E)	44,927	0	0	0	**44,927**	**(44,927)**	**0**
Revenue expenditure funded from capital under statute	(14,449)	0	0	0	**(14,449)**	**14,449**	**0**
Non-current assets written off on disposal/sale as part of gain/loss to the CI&ES	(455)	0	0	0	**(455)**	**455**	**0**
Movement in market value of Investment Property	190	0	0	0	**190**	**(190)**	**0**
Capital grants and contributions unapplied credited to the CI&ES	2,521	0	0	(2,521)	**0**	**0**	**0**
	(26,445)	**0**	**0**	**(2,521)**	**(28,966)**	**28,966**	**0**
Adjustments between Revenue and Capital Resources							
Transfer of cash sale proceeds from gain/ loss on disposal	5,807	0	(5,807)	0	**0**	**0**	**0**
Contribution towards costs of non-current asset disposal	(358)	0	358	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(16)	0	16	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU Capital Receipts	(150)	0	150	0	**0**	**0**	**0**
Capital expenditure financed from the General Fund (GF)	8,107	0	0	0	**8,107**	**(8,107)**	**0**
Statutory provision for the financing of capital investment charged against the GF	2,766	0	0	0	**2,766**	**(2,766)**	**0**
	16,156	**0**	**(5,283)**	**0**	**10,873**	**(10,873)**	**0**
Adjustments to Capital Resources							
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	5,314	0	**5,314**	**(5,314)**	**0**
Application of grants to capital financing to the Capital Adjustment Account	0	0	0	469	**469**	**(469)**	**0**
Capital grants and contributions credited to the CI&ES applied to capital financing	19,034	0	0	0	**19,034**	**(19,034)**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(35)	0	**(35)**	**35**	**0**
Contribution to Deferred Capital Receipts West London Waste Authority loan	5,604	0	0	0	**5,604**	**(5,604)**	**0**
	24,638	**0**	**5,279**	**469**	**30,386**	**(30,386)**	**0**
Adjustments between accounting basis and funding basis under regulations	**14,349**	**0**	**(4)**	**(2,052)**	**12,293**	**(12,293)**	**0**

NOTE 13 TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION/PURPOSE	Balance at 31 March 2014 £000	TRF OUT £000	TRF IN £000	Balance at 31 March 2015 £000	TRF OUT £000	TRF IN £000	Balance at 31 March 2016 £000
STATUTORY OR OUTSIDE THE COUNCIL'S DIRECT CONTROL:							
South London Partnership Reserve	0	0	0	0	0	(204)	(204)
Home Loans Unit Reserve	(120)	0	(17)	(137)	0	(8)	(145)
Thames Landscape Strategy Reserve	(39)	0	(3)	(42)	16	0	(26)
	(159)	**0**	**(20)**	**(179)**	**16**	**(212)**	**(375)**
EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:							
PFI Reserve (Education)	(3,622)	0	(173)	(3,795)	0	(305)	(4,100)
PFI Reserve (Social Services)	(2,509)	0	(190)	(2,699)	0	(511)	(3,210)
General Insurance Reserve	(2,605)	667	(10)	(1,948)	735	(28)	(1,241)
Vehicle Insurance Reserve	(155)	19	0	(136)	0	(12)	(148)
VAT Liabilities Reserve	(105)	0	0	(105)	0	0	(105)
	(8,996)	**686**	**(373)**	**(8,683)**	**735**	**(856)**	**(8,804)**
OTHER EARMARKED RESERVES:							
Council Tax Freeze Reserve	(4,073)	1,800	(2,355)	(4,628)	1,800	(3,458)	(6,286)
Repairs and Renewals Fund Reserve	(3,151)	1,279	(915)	(2,787)	464	(414)	(2,737)
Invest to Save Fund Reserve	(2,305)	676	(1,025)	(2,654)	735	(216)	(2,135)
Waste and Recycling Reserve	(2,373)	0	(133)	(2,506)	530	(158)	(2,134)
All in One Uplift Reserve	(1,258)	0	0	(1,258)	98	0	(1,160)
Climate Change Reserve	(483)	53	(48)	(478)	20	(47)	(505)
Village Plans Reserve	0	0	0	0	0	(409)	(409)
Orleans House Reserve	(492)	20	(7)	(479)	83	(7)	(403)
Economic Support Fund Reserve	(108)	35	(296)	(369)	112	0	(257)
Youth Development Fund Reserve	(673)	424	0	(249)	0	0	(249)
Commitments Reserve	(587)	287	0	(300)	52	0	(248)
Lincoln Fields Reserve	(182)	0	(40)	(222)	0	0	(222)
Youth Centres Reserve	(246)	0	0	(246)	104	0	(142)

Council Tax Freeze 2015/16 Commitment Reserve	0	0	(1,700)	(1,700)	1,700	0	0
Project Development Reserve	(621)	527	0	(94)	94	0	0
Other minor earmarked reserves under £100k	(494)	54	(95)	(535)	108	0	(427)
	(17,046)	**5,155**	**(6,614)**	**(18,505)**	**5,900**	**(4,709)**	**(17,314)**
TOTAL RESERVES EXCLUDING SCHOOLS	**(26,201)**	**5,841**	**(7,007)**	**(27,367)**	**6,651**	**(5,777)**	**(26,493)**
SCHOOLS RESERVES:							
Schools' Balances Reserve	(10,570)	0	(87)	(10,657)	927	0	(9,730)
Schools Maternity and Supply Cover Scheme Reserve	(606)	239	(2)	(369)	57	(1)	(313)
Dedicated Schools Grant Reserve	(558)	662	0	104	1,850	0	1,954
	(11,734)	901	(89)	(10,922)	2,834	(1)	(8,089)
TOTAL INCLUDING SCHOOLS	**(37,935)**	**6,742**	**(7,096)**	**(38,289)**	**9,485**	**(5,778)**	**(34,582)**
REVENUE INCOME FROM GRANTS/CONTRIBUTIONS WHERE NO CONDITIONS ARE OUTSTANDING BUT EXPENDITURE HAS NOT YET BEEN INCURRED:							
Richmond CCG Contributions	(4,877)	735	0	(4,142)	683	(67)	(3,526)
Section 106 Revenue Contributions	(2,560)	0	(227)	(2,787)	524	(1,116)	(3,379)
S31 NNDR Grants	0	0	(1,292)	(1,292)	376	(144)	(1,060)
Learning Disability and Health Reform Grant – DoH	(1,059)	0	0	(1,059)	0	0	(1,059)
Section 256 Public Health Contributions	(587)	85	0	(502)	0	0	(502)
Social Fund Grant – DWP	(81)	0	(218)	(299)	0	(69)	(368)
LSSG Flood Defence Grant – DEFRA	(329)	0	0	(329)	0	0	(329)
Fraud Grant – DCLG	(166)	0	(100)	(266)	133	0	(133)
Transformation Grant (AfC) – DCLG	(250)	100	0	(150)	78	0	(72)
Warm Homes Healthy People Grant – DoH	(120)	78	0	(42)	9	0	(33)
Tackling Troubled Families Grant -- DCLG	(175)	175	0	0	0	0	0
Other minor earmarked reserves under £100k	(549)	205	0	(344)	36	(102)	(410)
	(10,753)	**1,378**	**(1,837)**	**(11,212)**	**1,839**	**(1,498)**	**(10,871)**
TOTAL EARMARKED RESERVES	**(48,688)**	**8,120**	**(8,933)**	**(49,501)**	**11,324**	**(7,276)**	**(45,453)**

NOTE 14 USABLE RESERVES

Details of the Council's usable reserves are summarised below. Further details are available in the Movement in Reserves Statement and in Note 13.

	Balance at 31 March 2016 £000	Balance at 31 March 2015 £000
General Fund Reserve	**(9,956)**	**(9,956)**
General Fund Earmarked Reserves	**(45,453)**	**(49,501)**
Capital Grants Unapplied		
Capital Grants	(3,634)	(3,670)
S106 Contributions	(2,839)	(2,593)
	(6,473)	**(6,263)**
Capital Receipts Reserves		
Riverside House	(1,307)	(1,380)
Usable Capital Receipts Reserve	(763)	(520)
Home Loans Unit	(121)	(3)
	(2,191)	**(1,903)**
TOTAL USABLE RESERVES	**(64,073)**	**(67,623)**

General Fund Reserve – This is available for any purpose and is held to manage major in-year spending issues and to ensure financial stability.
General Fund Earmarked Reserves – Amounts set aside for specific purposes falling outside the definition of provisions. A full breakdown is available in Note 13.
Capital Grants Unapplied – These are the grants and contributions received towards capital projects where the Council has met the conditions and set aside the funding for future capital expenditure.
Capital Receipts Reserves – This represents the proceeds from the disposal of land or other assets which have been received but not yet applied.

NOTE 15 UNUSABLE RESERVES

The following table summarises the Council's unusable reserves:

	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	(129,580)	(119,838)
Deferred Capital Receipts Reserve	(13,596)	(9,660)
Capital Adjustment Account	(591,724)	(594,359)
Financial Instruments Adjustment Account	795	903
Collection Fund Adjustment Account	(2,195)	(1,044)
Accumulated Absences Account	1,848	1,844
Deferred Lease Income Account	3,087	3,115
Pensions Reserve	155,205	191,256
Total Unusable Reserves	**(576,160)**	**(527,783)**

Technical Annexe 3 contains a detailed analysis of all movements on the unusable reserves.

NOTES TO THE BALANCE SHEET

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

Movements in Property, Plant and Equipment (PP&E) 2015/16 are as follows:

2015/16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	PP&E Under Construction £000	Total PP&E £000
Cost or Valuation							
At 1 April 2015	668,273	30,703	123,387	24,837	17,717	41,917	**906,834**
Restatement*	(19,275)	42	0	0	(504)	0	**(19,737)**
Additions	14,114	3,742	7,100	368	0	3,641	**28,965**
Revaluation increases/(decreases) to Revaluation Reserve	6,619	0	0	0	2,311	0	**8,930**
Revaluation increases/(decreases) to (surplus)/deficit on Provision of Services	(7,025)	0	0	0	(3,157)	0	**(10,182)**
De-recognition-Disposals	(332)	(5,060)	0	0	(640)	0	**(6,032)**
Transfers between classes	47,137	(435)	421	680	(989)	(43,050)	**3,764**
At 31 March 2016	**709,511**	**28,992**	**130,908**	**25,885**	**14,738**	**2,508**	**912,542**
Depreciation and Impairment							
At 1 April 2015	(39,089)	(17,194)	(23,895)	0	(910)	0	**(81,088)**
Restatement*	19,275	(42)	0	0	504	0	**19,737**
Depreciation charge	(9,819)	(2,693)	(3,289)	0	(11)	0	**(15,812)**
Impairment losses/(reversals) to Revaluation Reserve	3,815	0	0	0	22	0	**3,837**
Impairment losses/(reversals) to (surplus)/deficit on Provision of Services	558	0	0	0	0	0	**558**
De-recognition-Disposals	92	3,918	0	0	373	0	**4,383**
Transfers between classes	104	(97)	(1)	0	11	0	**17**
At 31 March 2016	**(25,064)**	**(16,108)**	**(27,185)**	**0**	**(11)**	**0**	**(68,368)**
Net Book Value							
At 31 March 2016	**684,447**	**12,884**	**103,723**	**25,885**	**14,727**	**2,508**	**844,174**
At 31 March 2015	**629,184**	**13,509**	**99,492**	**24,837**	**16,807**	**41,917**	**825,746**

*This Restatement line corrects prior year opening figures where Depreciation and Impairment was incorrectly reported as a change in the Cost or Valuation value.

Movements in Property, Plant and Equipment (PP&E) 2014/15 are as follows:

2014/15	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	PP&E Under Construction £000	Total PP&E £000
Cost or Valuation							
At 1 April 2014	605,046	21,481	113,361	24,246	17,313	36,518	**817,965**
Additions	33,711	1,878	10,026	601	15	5,399	**51,630**
Revaluation increases/(decreases) to Revaluation Reserve	37,603	7,658	0	(10)	504	0	**45,755**
Revaluation increases/(decreases) to (surplus)/deficit on Provision of Services	(7,862)	0	0	0	0	0	**(7,862)**
De-recognition-Disposals	(225)	(314)	0	0	(115)	0	**(654)**
At 31 March 2015	**668,273**	**30,703**	**123,387**	**24,837**	**17,717**	**41,917**	**906,834**
Depreciation and Impairment							
At 1 April 2014	(28,071)	(14,678)	(20,798)	0	(897)	0	**(64,444)**
Depreciation charge	(8,859)	(2,416)	(3,097)	0	(13)	0	**(14,385)**
Depreciation written out to Revaluation Reserve	8,599	(286)	0	0	0	0	**8,313**
Impairment losses/(reversals) to Revaluation Reserve	(1,279)	0	0	0	0	0	**(1,279)**
Impairment losses/(reversals) to (surplus)/deficit on Provision of Services	(9,493)	0	0	0	0	0	**(9,493)**
De-recognition-Disposals	14	186	0	0	0	0	**200**
At 31 March 2015	**(39,089)**	**(17,194)**	**(23,895)**	**0**	**(910)**	**0**	**(81,088)**
Net Book Value							
At 31 March 2015	**629,184**	**13,509**	**99,492**	**24,837**	**16,807**	**41,917**	**825,746**
At 31 March 2014	**576,975**	**6,803**	**92,563**	**24,246**	**16,416**	**36,518**	**753,521**

Depreciation

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

- Other land and buildings – estimated useful life provided by Royal Institution of Chartered Surveyors (RICS) qualified valuer
- Vehicles, plant, furniture and equipment – estimated useful life on acquisition
- Infrastructure – 40 years.

Capital Commitments

At 31 March 2016, the Council had entered into a number of ongoing contracts for the construction or enhancement of Property, Plant and Equipment. The table below shows contracts over £100k.

Capital Scheme	2015/16 £000	2014/15 £000
Strathmore at Russell	4,037	0
Hampton Academy	517	604
St Marys and St Peters CE Primary School - expansion	465	465
Twickenham Academy	312	312
Stanley Primary School - phase 1 expansion	252	252
Orleans Park 6th Form	208	258
Grey Court 6th Form	144	145
Sheen Mount Primary	143	2,819
Hampton Wick - expansion to 3 form entry	103	103
Vineyard Primary	58	189
Heatham House - redevelopment	42	146
Darrell - expansion	34	132
Nelson - phase 2	14	106
Homelink Day Respite Centre	0	1,114
Heathfield - phase 3	0	143
Waldegrave 6th Form	0	96
Christs School 6th Form	0	86
Orleans Infants School	0	64
Buckingham Primary School - phase 2	0	40
Teddington 6th Form	0	33
TOTAL	**6,329**	**7,107**

Effects of Changes in Estimates

The Council has not made any material changes to its accounting estimates for Property, Plant and Equipment during the year.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition the Council reviews groups of properties on an annual basis to assess any significant changes that would require revaluation within the 5 year period. All valuations were carried out by the Council's valuer at 1 April 2015. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

This following table shows the new value of assets that were revalued over the last 5 years:

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost	N/a	25,244	130,908	23,722	N/a	179,874
Valued at current values as at:						
31 March 2016	83,435	0	0	0	15,615	99,050
31 March 2015	155,570	7,375	0	0	504	163,449
31 March 2014	212,706	0	0	764	51	213,521
31 March 2013	97,303	0	0	0	0	97,303
31 March 2012	100,986	0	0	1,399	1,391	103,776
Gross Book Value	**650,000**	**32,619**	**130,908**	**25,885**	**17,561**	**856,973**

Fair Value Hierarchy

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2016 is shown below:

	Fair value as at 31 March 2016 (Level 2)
Recurring Fair Value measurements using:	**£000**
Land	9,292
Residential	5,435
Total	**14,727**

Valuation Techniques used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The land and residential units located in the local area are measured using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

Included in the residential units figure is the Council's 50% share of ex-GLC shared ownership properties, valued at £3.9m in 2015/16. The Council's responsibilities as mortgagor restrict the use of the assets to residential use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

NOTE 17 HERITAGE ASSETS

Art Collection

The Council's art collection includes approximately 3,000 paintings from various artists dating back to the early 19th century. These painting are of landscapes and buildings in and around the surrounding area of the authority. The collections are held in Orleans House Gallery and York House.

Civic Regalia

The Civic Regalia were valued externally in 2012/13 and includes the Mayoral Mace, Mayoral Badge and Mayoral Collaret as well as various other ceremonial items.

Land and Buildings

The only asset held is Garrick Temple which is a listed building originally constructed in 1756 and restored in 1999. It is used as a memorial temple and therefore contributes to the history and enhances the knowledge of this region of London.

Heritage Assets are held on the Council's Asset Register. Policies on acquisition, preservation, management and disposal of heritage assets are in line with other asset classes.

Movements in Heritage Assets are as follows:

Cost or Valuation	Art Collection £000	Land and Buildings £000	Civic Regalia £000	Total Assets £000
1 April 2014	1,938	241	572	2,751
Additions	0	0	0	0
Depreciation	0	(4)	0	(4)
31 March 2015	**1,938**	**237**	**572**	**2,747**
1 April 2015	1,938	237	572	2,747
Enhancements/Additions	0	44	0	44
Depreciation	0	(5)	0	(5)
31 March 2016	**1,938**	**276**	**572**	**2,786**

NOTE 18 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2015/16 £000	2014/15 £000
Rental income from Investment Property	(658)	(298)
Unrealised gain from Investment Property valuation	(6,768)	(190)
Direct operating expenses arising from Investment Property	20	68
Net gain/(loss)	**(7,406)**	**(420)**

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. The table above includes investment properties held under an operating lease. These assets have been classified as investment properties in line with professional property definitions and The Code. The Council has no contractual obligations to purchase, construct, develop, repair, maintain or enhance investment property. The following table summarises the movement in the fair value of investment properties over the year:

	2015/16 £000	2014/15 £000
Balance at start of the year	**14,301**	**7,308**
Additions		
Purchases	0	6,787
Subsequent expenditure	0	16
Disposals		
Net gain/(loss) from fair value adjustments	6,770	190
Transfers		
To/from Property, Plant and Equipment	(3,781)	0
Balance at end of the year	**17,290**	**14,301**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 is shown below:

	31 March 2016 (Level 2) £000
Recurring Fair Value measurements using:	
Office units	6,941
Commercial units	10,349
Total	**17,290**

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The office and commercial units located in the local area are measured using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations were carried out by the Council's valuer at 1 April 2015 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

NOTE 19 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. There are no individually significant assets used by the Council. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £73k (£73k in 2014/15) charged to revenue in 2015/16 was charged to IT Services, Human Resources and Customer Services and then absorbed as an overhead across all the service headings in the Net Cost of Services.

Intangible Asset	**Asset Life on Acquisition (Years)**	**Remaining Useful Life (Years)**
Software license under SERCO contract 2012/13	5	2
Software license under SERCO contract 2011/12	6	1
Cyborg license	20	2
Customer Contact Centre license	20	10

The movement on intangible asset balances during the year is as follows:

	2015/16 Other Assets £000	**2014/15 Other Assets £000**
Balance at start of year		
Gross carrying amounts	1,496	1,496
Accumulated amortisation	(1,277)	(1,204)
Net carrying amount at start of year	219	292
Additions		
Amortisation for the period	(73)	(73)
Net carrying amount at year end	**146**	**219**
Comprising		
Gross carrying amounts	1,496	1,496
Accumulated amortisation	(1,350)	(1,277)
	146	**219**

NOTE 20 PFI AND SIMILAR CONTRACTS

The Council has 2 PFI schemes (Primary Schools and Residential Care Homes).

Primary Schools PFI Scheme

2015/16 was the 13th year of a 30 year PFI contract for the construction and maintenance of 6 schools in the borough, 4 of which are Council owned and 2 of which are part of voluntary aided (VA) schools. The Council has rights under the contract to use all of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed in the schools. The buildings and any plant and equipment installed in the schools at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to voluntarily terminate the contract if it compensates the contractor in full for borrowing costs incurred and redundancy costs of relevant employees.

Residential Care Homes PFI Scheme

2015/16 was the 15th year of a 25 year PFI contract for the construction, maintenance and operation of 3 care homes. The Council has rights under the contract to use 175 of the bed places provided, and the option to purchase any of the 43 remaining beds. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the homes and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the homes as well as staffing them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Payments

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability or performance standards. In all other circumstances the payments are fixed. The care home contract has a provision to vary charges based on the usage and configuration of beds from residential, to various types of nursing or other support.

Payments remaining to be made under these PFI contracts at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Service Charge £000	Capital £000	Interest £000	Total £000
Payments due				
Payable in 2016/17	8,127	767	1,397	10,291
Payable within 2 - 5 years	36,679	3,825	4,829	45,333
Payable within 6 – 10 years	51,614	7,078	3,741	62,433
Payable within 11 – 15 years	21,006	3,254	1,426	25,686
Payable within 16 – 20 years	4,646	1,514	123	6,283
Total	**122,072**	**16,438**	**11,516**	**150,026**

The service charge above includes payments which do not relate to the financing of Council assets. This therefore includes payments to the school's PFI contractor which will be fully reimbursed by VA schools, including financing of VA buildings.

Total Liability – Long and Short Term

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

	2015/16			2014/15		
	Residential Care Homes	Primary Schools	Total	Residential Care Homes	Primary Schools	Total
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	(8,681)	(8,460)	(17,141)	(9,134)	(8,652)	(17,786)
Payments during the year	493	210	703	453	192	645
Closing balance 31 March	**(8,188)**	**(8,250)**	**(16,438)**	**(8,681)**	**(8,460)**	**(17,141)**

This table does not include VA school buildings which are not owned or controlled by the Council, and where the Council has legal right to reimbursement from the VA schools for any such costs.

Property, Plant and Equipment

Movements in the value of the Council's PFI assets (not including VA school buildings as above) over the year are detailed below:

	2015/16			2014/15		
	Residential Care Homes	Primary Schools	Total	Residential Care Homes	Primary Schools	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Opening balance 1 April	13,891	13,706	27,597	13,891	14,930	28,821
Additions/Enhancements	0	108	108	0	47	47
Revaluation	4,583	1,336	5,919	0	(1,271)	(1,271)
Closing balance 31 March	**18,474**	**15,150**	**33,624**	**13,891**	**13,706**	**27,597**
Depreciation and Impairments						
Opening balance 1 April	(739)	(598)	(1,337)	(472)	(1,064)	(1,536)
Depreciation	(366)	(290)	(656)	(267)	(261)	(528)
Revaluation	739	297	1,036	0	727	727
Closing balance 31 March	**(366)**	**(591)**	**(957)**	**(739)**	**(598)**	**(1,337)**
New Book Value 31 March	**18,108**	**14,559**	**32,667**	**13,152**	**13,108**	**26,260**

NOTE 21 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 or enhanced under finance leases and the Council's 2 PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is not financed in the current year, it adds to the Council's underlying need to borrow, the Capital Financing Requirement (CFR). The movement in the CFR is analysed in the second part of this note.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	**130,503**	**93,311**
Capital Investment		
Property, Plant and Equipment	28,965	51,630
Investment Properties	0	6,803
Heritage Assets	44	0
Revenue Expenditure Funded from Capital under Statute	9,764	14,449
Sources of Finance		
Capital Receipts	(1,039)	(5,314)
Government Grants and other Contributions	(15,618)	(19,503)
Sums set aside from Revenue		
Direct Revenue Contributions	(5,724)	(8,107)
MRP/loans fund principal	(3,805)	(2,766)
Closing Capital Financing Requirement	**143,090**	**130,503**
Explanations of Movements in Year		
Increase in underlying need to borrow	15,615	39,917
Assets acquired under finance leases	777	41
MRP set aside to finance borrowing requirement	(3,805)	(2,766)
Increase/(decrease) in Capital Financing Requirement	**12,587**	**37,192**

NOTE 22 ASSETS HELD FOR SALE

The following table gives a breakdown of the movement in properties that are Current Assets Held for Sale. These are properties that are likely to be sold within the next year.

	2015/16 £000	2014/15 £000
Balance outstanding at start of year	**1,687**	**1,687**
Assets sold	(1,687)	0
Balance outstanding at year end	**0**	**1,687**

NOTE 23 DEBTORS

The table below summarises the Short Term Debtors by type and organisation type:

	31 March 2016 £000	31 March 2015 £000
Debtors	46,301	56,237
Payments in Advance	2,704	2,918
Less provision for impairment of bad debts	(10,936)	(9,415)
Total Debtors	**38,069**	**49,740**
Central Government bodies	4,839	13,388
Other local authorities	3,182	8,329
NHS bodies and trusts	2,853	1,867
Public corporations and trading funds	0	2
Other entities and individuals	27,195	26,154
Total short term Debtors	**38,069**	**49,740**

The decrease in Central Government debtors relates to the recoverable VAT relating to payments to AfC of £6.0m and NHS England debtors of £3.0m in 2014/15.

The table below summarises the Long Term Debtors by organisation:

	31 March 2016 £000	31 March 2015 £000
Other local authorities	18,921	15,177
Other entities and individuals	6,531	2,551
Total long term Debtors	**25,452**	**17,728**

The increase in Long Term Debtors is mainly due to a loan to Richmond upon Thames College of £4.0m and an increase in a loan to West London Waste Authority of £3.9m both in 2015/16.

NOTE 24 CREDITORS

The table below summarises the Short Term Creditors by type and organisation type:

	31 March 2016 £000	31 March 2015 £000
Creditors	(36,635)	(40,105)
Receipt in Advance	(8,176)	(6,507)
Total Creditors in Balance Sheet	**(44,811)**	**(46,612)**
Central Government bodies	(5,725)	(4,395)
Other local authorities	(5,894)	(4,856)
NHS bodies and trusts	(2,096)	(1,688)
Public corporations and trading funds	0	(1)
Other entities and individuals	(31,096)	(35,672)
Total Short Term Creditors	**(44,811)**	**(46,612)**

The table below summarises the Long Term Creditors by type and organisation:

	31 March 2016 £000	31 March 2015 £000
Receipt in Advance - Revenue	(1,069)	(1,247)
Receipt in Advance - Capital	(4,321)	(6,404)
Total Creditors in Balance Sheet	**(5,390)**	**(7,651)**
Central Government bodies	(4,225)	(6,294)
Other entities and individuals	(1,165)	(1,357)
Total Long Term Creditors	**(5,390)**	**(7,651)**

NOTE 25 PROVISIONS

	Central Insurance Fund £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Short Term Provisions				
Balance at 1st April 2015	**(159)**	**(2,019)**	**(536)**	**(2,714)**
Additional provisions made in 2015/16	(417)	(1,746)	(95)	**(2,258)**
Amounts used in 2015/16	66	812	28	**906**
Unused amounts reversed in 2015/16	93	0	217	**310**
Balance at 31 March 2016	**(417)**	**(2,953)**	**(386)**	**(3,756)**
Long Term Provisions				
Balance at 1st April 2015	**(270)**	**0**	**0**	**(270)**
Additional provisions made in 2015/16	(710)	0	0	**(710)**
Amounts used in 2015/16	111	0	0	**111**
Unused amounts reversed in 2015/16	159	0	0	**159**
Balance at 31 March 2016	**(710)**	**0**	**0**	**(710)**

Insurance Fund

In common with most local authorities, the Council operates an Insurance Fund as a means of self-insurance. The fund is periodically valued by external assessors to ensure that it is maintained at an appropriate level. A sufficient Insurance Fund is held as a reserve, on a 'worst year in 9' basis.

This part of the fund relates to claims made upon the fund outstanding at 31 March. The value of these claims is held as a provision to meet future expenditure that the fund is likely to incur in meeting the claims. The Council has a Stop Loss limit such that no more than £650,000 will be paid for total Material Damage to Property, and no more than £750,000 will be paid for additional insurance cover including Fidelity Guarantee, and Liability Insurance including Public Liability claims

Business Rates Appeals

Following the introduction of the Business Rates Retention system from 1st April 2014 the Council has taken on 30% of the liability relating to Business Rates appeals. Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The total provision raised at 31 March 2016 is £9.8m compared to £6.7m at 31 March 2015 (included in the Collection Fund) and the Council's share of this liability is £3.0m compared to £2.0m for 2014/15 (included in the Council's Accounts). This has been calculated based on appeals outstanding at the 31 March adjusted for historical trends and success rates. The Council has also included a contingent liability disclosure in Note 44 as it is unable to estimate the impact of appeals that have not yet been lodged with the VOA.

NOTE 26 LONG TERM LIABILITIES

The following table breaks down the Long Term Liabilities shown in the Balance Sheet:

	Balance at 31 March 2016 £000	Balance at 31 March 2015 £000
Primary schools PFI	(8,021)	(8,250)
Voluntary aided schools PFI	(6,994)	(7,194)
Residential care homes PFI	(7,650)	(8,188)
Lease liabilities	(4,683)	(4,238)
Pension Fund - Defined Benefit	(155,205)	(191,256)
Total	**(182,553)**	**(219,126)**

PFI contracts – Long term contracts which when the contract was signed, the Council committed to make payments over the term of the contract, to finance the assets acquired under the contract. These payments are certain and legally binding once the contract is signed and therefore accounted for as Long Term Liabilities. The primary school's PFI contract also includes voluntary aided (VA) school's assets. These assets are separate from the Council's, but the Council committed to make all contract payments on the VA schools' behalf. There is a separate legal agreement ensuring they will reimburse the Council in full.

Lease liabilities – These are very similar to the PFI liabilities in that they also represent the debt associated with financing a Council asset by a finance lease arrangement.

Pension Fund Net Liability – The actuarially calculated net present value of the assets less the liabilities relating to the Council's Local Government Pension Scheme obligations as calculated under IAS 19.

NOTE 27 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. For the Council this means that all treasury contracts (borrowings and investments) are recognised as financial instruments as well as trade receivables, loans for policy purposes, trade payables and bank deposits. Statutory charges and payments (e.g. amounts due from Council Tax) are not recognised as financial instruments as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments.

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Financial Assets				
Investments	750	2,250	21,567	8,638
Cash and Cash Equivalents	0	0	26,082	17,829
Loans and Trade Debtors	15,927	7,983	10,695	20,341
PFI debtor – future amounts from VA schools	6,994	7,194	200	183
	23,671	**17,427**	**58,544**	**46,991**
Financial Liabilities at amortised cost				
Loans	(94,011)	(66,948)	(4,906)	(2,203)
Trade Creditors	0	0	(6,240)	(24,390)
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(27,348)	(27,870)	(1,162)	(983)
Total Financial Liabilities	**(121,359)**	**(94,818)**	**(12,308)**	**(27,576)**

Soft Loans

The Council did not have any soft loans during 2015/16 or 2014/15 where the value of the subsidy would be material based on market rates at 31 March.

Reclassifications

The Council did not reclassify any financial instruments during the year, other than to move them from long to short term based on remaining duration to maturity.

Gains and Losses Recognised in the Comprehensive Income and Expenditure Statement

The gains and losses recognised in the Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2015/16 £000	2014/15 £000
Interest expense (assets at amortised cost)	5,032	4,355
Interest income (loans and receivables)	(1,959)	(1,810)

Fair Values of Assets and Liabilities

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

- Public Works Loans Board (PWLB) loans are valued using the PWLB Certainty Rates in force on 31 March 2016. The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rate. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £89.9m would be valued at £99.5m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £20.9m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £110.8m.

- Other loans and borrowings were valued individually using the comparable rate at the Balance Sheet date for a loan with the same maturity and similar counterparty.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Assets

The Council's financial assets consist of short and long term investments, bank deposit accounts and trade debtors and other receivables. These are not carried at fair value as they do not meet the criteria for a fair valuation basis (i.e. they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

Investments are fixed term deposits with financial institutions or other local authorities. Interest is usually set at the time of the investment.

The long term loan to the West London Waste Authority was made at the interest rate which was agreed at financial close on the date the contract was signed. This rate matched the commercial loan rate at that date.

A policy loan was made to Richmond upon Thames College to support the costs connected with purchase of land for the construction of a new secondary school.

Cash and cash equivalents accrue variable rate interest so the amortised cost is assumed to be equivalent to fair value.

Trade receivables are considered short term, as the Council's policy is to pursue recovery of debt on a prompt basis, unless there are overriding service considerations, which would mainly occur for clients contributing to the cost of their care. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

	31 March 2016		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Investments	22,317	21,453	10,888	11,091
Loans and Trade Debtors	26,622	39,631	28,324	35,716
Cash and Cash Equivalents	26,082	26,082	17,829	17,829
	75,021	**87,166**	**57,041**	**64,636**

The fair value of financial assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the investments. The difference in value has increased in 2015/16.

Financial Liabilities

The Council's financial liabilities consist of long and short term borrowing and trade creditors. These are not carried at fair value as they do not meet the criteria for a fair valuation basis (that is - they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

The interest payable on these loans is either fixed at the prevailing market rate at the time of the loan, or varies with market lending rates. The majority of the Council's long-term debt is held by the Public Works and Loans Board (PWLB), which is part of the Government.

The Council holds one long-term market loan (£5m) where the lender has the option to vary the rate on every 5th anniversary of the loan. If the lender exercises this option, the Council has the option to accept the new rate of interest or redeem the loan with no penalty. The next option to vary occurs in 2018.

Short term debt is with other public bodies or charities and therefore varies with the needs of the counterparty to realise their investment. There is an element of cash flow lending to related public bodies such as the South West Middlesex Crematorium Board under the arrangements by which the Council acts as their financial administrators. The terms of these loans allow for repayment on demand by the counterparty, and interest is paid to them based on the market rates. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

Trade creditors are also considered short term as the Council's policy is to pay all creditors within their agreed terms (usually 30 days or 10 days to local small businesses). Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

	31 March 2016		**31 March 2015**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Loans	(98,917)	(109,054)	(69,151)	(78,229)
PFI/Finance Lease Liabilities	(28,510)	(41,103)	(28,669)	(41,832)
Trade Creditors	(6,240)	(6,240)	(24,390)	(24,390)
	(133,667)	**(156,397)**	**(122,210)**	**(144,451)**

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

NOTE 28 LEASES

The Council has recognised 4 different categories of leases during 2015/16 and 2014/15. Descriptions of these lease types and their general treatment is available in Technical Annexe 1.

Finance Leases In

The Council has a number of assets under finance leases and these assets are recognised on the Council's Balance Sheet. A corresponding liability is recognised in the Accounts and written off to the Income and Expenditure Statement as payments are made. All of the finance leases for property (with the exception of the Quadrant Car Park) included premiums that wrote down the lease liability at the start of the lease with annual rents restricted to a peppercorn. The difference between the future minimum lease payments and the liability is the interest cost and is recognised in the Income and Expenditure as it is paid. At 31 March the relevant amounts are as follows:

	Recognised in Balance Sheet	Finance Cost payable in future years	Minimum Lease Payments	Recognised in Balance Sheet	Finance Cost payable in future years	Minimum Lease Payments
	31 March 2016			31 March 2015		
	£000	£000	£000	£000	£000	£000
Other Land and Buildings	5,376			5,214		
Vehicles, Plant and Equipment	655			83		
Total Non-Current Assets	**6,031**			**5,297**		
Not later than 1 year	155	53	208	56	13	69
1 - 5 years	521	103	624	35	39	74
Later than 5 years	79	305	384	79	313	392
Total Current and Non Current Liability	**755**	**461**	**1,216**	**170**	**365**	**535**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 contingent rents of £389k were payable by the Council and in 2014/15 this was also £389k.

The Council is party to a lease arrangement for a multi-story car park which leases property assets in and out on identical 99 year terms. The asset for the building has not been recognised in the table above as the net impact of this arrangement is to take the assets off the Balance Sheet. The future minimum lease payments (including liability) for the building have been recognised as there is no guarantee that the Council will receive matching income if the lessee defaults. Total minimum rentals due under the sub-lease as at 31 March 2016 are £424k (£433k at 31 March 2015). The land element of the lease is recorded in the operating leases in and out tables below.

Operating Leases In

The Council has a number of operating leases that include property, vehicles and a variety of equipment (mainly office and schools - related equipment such as copiers, IT equipment etc.). Amounts due on these agreements are recognised in the Income and Expenditure Statement in the year to which they relate. The assets remain on the Balance Sheet of the legal owner.

The Council sub-leases part of Old Deer Park and Centre House and the land for the multi- story car park mentioned above for which they receive income which is offset against the operating lease expenditure. The table below provides a breakdown of the Minimum Lease Payments relating to operating leases:

	31 March 2016	31 March 2015
	£000	£000
No later than 1 year	733	985
Later than 1 year but not later than 5 years	1,346	1,556
Later than 5 years	1,804	1,856
Future Minimum Lease Payments	**3,883**	**4,397**
No later than 1 year	(139)	(165)
Later than 1 year but not later than 5 years	(16)	(151)
Later than 5 years	(198)	(202)
Future Minimum Sub-Lease Receipts	**(353)**	**(518)**

The minimum lease payments above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2016 £000	31 March 2015 £000
Minimum lease payments	3,907	3,716
Contingent rents paid	268	299
Expenditure charged to the CI&ES	**4,175**	**4,015**
Sublease payments received	(367)	(357)
Total charged to CI&ES (net of subleases)	**3,808**	**3,658**

Finance Leases Out

The Council has leased out 3 properties, the car park mentioned above, Ambassador House and Richmond Riverside.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2015/16 £000	2014/15 £000
Finance Leases		
Finance lease debtor (NPV of minimum lease payment)	1,622	1,622
Unearned finance income	9,924	10,045
Gross investment in the lease	**11,546**	**11,667**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
No later than 1 year	121	121	0	0
Later than 1 year and not later than 5 years	483	483	2	2
Later than 5 years	10,942	11,183	1,620	1,620
	11,546	**11,787**	**1,622**	**1,622**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £366k contingent rents were receivable by the Council (2014/15 £529k). This includes £389k for a car park which is leased in and sub-leased out on identical terms.

Operating Leases Out

The Council leases out property under operating leases for the provision of community services, economic development purposes and for use by partner organisations. The future minimum lease payments receivable under non-cancellable leases in future years, including sub-lease arrangements are:

	31 March 2016 £000	31 March 2015 £000
Operating Leases		
No later than 1 year	1,053	823
Later than 1 year and not later than 5 years	2,131	2,043
Later than 5 years	15,590	15,730
	18,774	**18,596**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £564k contingent rents were receivable by the Council (£592k in 2014/15).

NOTES RELATING TO THE CASH FLOW STATEMENT

NOTE 29 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The following items form part of operating activities in the Cash Flow Statement:

	2015/16 £000	2014/15 £000
Interest received	(1,150)	(1,448)
Interest paid	4,835	4,105

NOTE 30 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The following table shows the breakdown of the investing activities shown in the Cash Flow Statement:

	2015/16 £000	2014/15 £000
Purchase of PP&E, investment property and intangible assets	27,672	62,259
Net purchase of short-term and long-term investments	10,620	0
Proceeds from the sale of PP&E, investment property and intangible assets	(1,329)	(5,450)
Net proceeds from short term and long term investments	0	(34,005)
Net cash flows from investing activities	**36,963**	**22,804**

NOTE 31 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The following table shows the breakdown of the financing activities shown in the Cash Flow Statement:

	2015/16 £000	2014/15 £000
Cash receipts of short and long term borrowing	(30,006)	(23,593)
Other receipts from financing activities	(1,765)	(223)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	895	833
Repayment of short and long term borrowing	437	0
Other repayments for financing activities	0	2,540
Net cash flows from financing activities	**(30,439)**	**(20,443)**

EMPLOYEES, COUNCILLORS AND THE ORGANISATION

NOTE 32 MEMBERS ALLOWANCES

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to Members, and to the maximum amounts payable in respect of certain allowances. In accordance with the Local Government Act 2000, the Council established a Members' Allowances Scheme. The scheme is a public document and sets out details of all allowances that are paid to Council Members. Changes to the scheme are made by full Council at its annual meeting. Further details of the scheme are available at: http://www.richmond.gov.uk/councillors_allowances.

The total payments made to Members were as follows:

	2015/16 £000	2014/15 £000
Members Allowances	684	680
Employers Pension Contributions*	0	14
Total	**684**	**694**

* Employers Pension Contributions ceased for Members in 2014/15

NOTE 33 OFFICERS' REMUNERATION

The following information is required to be disclosed for certain officers who are statutorily defined as senior officers of the Council.

		Salary, Fees and Allowances	Pension Contribution	Total
		£	£	£
Chief Executive (Note i)	2015/16	147,162	39,439	**186,601**
Gillian Norton	2014/15	176,315	43,021	**219,336**
Director of Children's' Services (Note ii)	2015/16	149,352	40,026	**189,378**
Nick Whitfield	2014/15	148,772	36,300	**185,072**
Director of Finance and Corporate Services (Note iii)	2015/16	132,297	35,456	**167,753**
Mark Maidment	2014/15	127,039	30,998	**158,037**
Director of Adult and Community Services	2015/16	129,321	34,658	**163,979**
Cathy Kerr	2014/15	127,161	31,027	**158,188**
Director of Environment	2015/16	127,039	34,046	**161,085**
Paul Chadwick	2014/15	127,039	30,998	**158,037**
Director of Public Health (Note iv)	2015/16	87,899	12,570	**100,469**
Dagmar Zeuner	2014/15	105,479	14,767	**120,246**

Notes:

Note i - The Chief Executive is the Head of the Paid Service. Gillian Norton opted to work reduced hours from 2 November 2015.

Note ii - Nick Whitfield is a joint Director with the RB Kingston upon Thames. The above figures show the full cost of his post for the year but the Council has been reimbursed for 50% of the cost.

Note iii - From 2 November 2015, Mark Maidment took on additional duties following the Chief Executives decision to work reduced hours.

Note iv - Dagmar Zeuner left the Council on 31 January 2016.

The number of employees, including teaching staff, whose remuneration was in excess of £50,000, is shown in the following table. These figures include redundancy/compensation payments in both years, as required by legislation. The table also includes the officers disclosed in the senior officers table above.

Remuneration Band	Number of employees 2015/16	Number of employees 2014/15
£50,000 - £54,999	50	43
£55,000 - £59,999	30	30
£60,000 - £64,999	19	14
£65,000 - £69,999	14	15
£70,000 - £74,999	9	12
£75,000 - £79,999	6	3
£80,000 - £84,999	7	8
£85,000 - £89,999	5	4
£90,000 - £94,999	2	10
£95,000 - £99,999	6	1
£100,000 - £104,999	3	0
£105,000 - £109,999	1	2
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	2	3
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	2	1
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0
£175,000 - £179,999	0	1
Total	**158**	**147**

Included in the above figures are teaching and other staff that work in schools (95 in 2015/16 and 76 in 2014/15).

The number and cost of exit packages is included in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	No	No	No	No	No	No	£000	£000
£0 - £20,000	7	13	0	0	7	13	58	88
£20,001 - £40,000	2	1	0	0	2	1	55	37
£40,001 - £60,000	0	0	1	0	1	0	47	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	85
£100,000 - 150,000	0	0	0	0	0	0	0	0
Sub-Total	**9**	**15**	**1**	**0**	**10**	**15**	**160**	**210**
Provision	1	3	0	0	1	3	83	17
Total	**10**	**18**	**1**	**0**	**11**	**18**	**243**	**227**

The total cost of £0.243m for 2015/16 (£0.227m for 2014/15) in the table above is for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. In addition the authority's Comprehensive Income and Expenditure Statement includes a provision of £0.083m for redundancy cost agreed.

NOTE 34 EXTERNAL AUDIT COSTS

	2015/16 £000	2014/15 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year		
Main fee	95	120
Rebates (Audit Commission)	0	(12)
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	19	19
Fees payable in respect of other services provided by external auditors during the year (Audit Commission)	0	4
Total	**114**	**131**

* In 2014/15 the Council received a direct rebate from the Audit Commission of £12k due to a reduction of its previously charged audit fees to local government.

NOTE 35 RELATED PARTIES

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.

The Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant part 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. Housing Benefits). Details of grants received from Government are listed in Note 11 as well as liabilities outstanding at the year-end in relation to those grants. Grants received from Government are also set out in Note 5 on reporting for resource allocation decisions.

In addition to the above, the Leader of the Council is a member of the House of Lords.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member's allowances paid in 2015/16 is shown in Note 32. A number of Councillors are self-employed; these Councillors would not be involved in any decisions that involve potential conflict with their self-employed professional capacity.

Officers

Senior officers of the Council also have direct control over the Council's financial and operating policies. During the year senior officers (or their immediate family) were also members or employees of the following organisations:

- The Director of Finance and Corporate Services has declared an interest as Treasurer to the South West Middlesex Crematorium Board. The Council provides support services to the board and also holds investment of surplus balances on behalf of the board
- The Director of Adult and Community Services has declared an interest as a nominated representative on the board to the Richmond CCG. There is partnership working between Richmond CCG and the Council which includes joint commissioning and funding arrangements (S75 and S256). The Director has also been appointed as a Non-Executive Director of Achieving for Children (AfC)
- The Director of Education and Children's Services has declared that he is a board member of The Learning Schools Trust. This organisation is involved in the management of Academy schools in the borough. The Director has been seconded to AfC as Chief Executive and Executive Director
- The Director of Public Health Services has also declared an interest as a board member to Richmond CCG. The Public Health Team provides commissioning support to Richmond CCG.

Members and Officers Material Transactions

This table details organisations where there have been material transactions during the year where there is a related party to an officer or a Member. The table has been prepared using the Council's register of Member and Officer's interests in addition to returns collated annually. Details of Member and officer's interests can be found on the Council's website (www.richmond.gov.uk).

Material transactions omitted from this table are due to them being included elsewhere in line with guidance from The Code. These are Shared Services, Note 39 and Levies, Note 7.

The amounts in the table represent the total due to/from each organisation (inclusive of any tax). Income and expenditure amounts are added together to give the total value of transactions with the party.

Organisation	Nature of Transaction	2015/16 £000	2014/15 £000
Greater London Authority (GLA)	Precept , Business Rates and surplus paid	43,821	45,376
Richmond CCG	Joint commissioning and funding	13,341	9,018
Richmond College	Loan	4,000	0
West London Waste Authority	Loan	3,943	5,604
SW Middlesex Crematorium Board	Support services and investment	1,646	1,642
Richmond Housing Partnership	Supported and other Housing Services	1,536	1,809
SPEAR	Homeless and Supported Living Services	723	0
London Councils	Subscriptions paid	437	458
Twickenham Bid	Bid Levy and town centre funding	333	133
Virgin Business Media	Rental/other charges (internet, phone etc.)	184	0
Museum of Richmond	Rent and grants	109	0
Richmond Churches Housing Trust	Supported and other Housing Services	28	485
Other under £100k	Various	299	203

Other Public Bodies

The Council delivers services in close co-operation with other public bodies such as the GLA, Transport for London, health authorities and other local authorities. Where the Council receives grant funding from another public body, details are disclosed in Note 11.

The Council has pooled budget arrangements with Hounslow and Richmond Community Healthcare Trust, South West London and St. George's Mental Health Trust and Richmond CCG. Full details are disclosed in Technical Annexe 5.

The Council also has shared service arrangements with LB Merton, LB Sutton, LB Wandsworth and RB Kingston upon Thames. Full details are provided in Note 39.

Voluntary Organisations

It is the nature of local government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups etc. often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, and the relevant Cabinet Member approves the amount of grant aid awarded to voluntary organisations unless there is a potential conflict with any appointment to the organisation. The schedule of grant aid is a public document and further details are available on request.

The Pension Fund

The Pension Fund is a separate entity from the Council with its own Fund Account and Net Asset Statement. The following material transactions took place between the Council and the Pension Fund

	2015/16	2014/15
Expenditure	**£000**	**£000**
Employer pension contributions to the Pension Fund	12,675	12,683
Employee pension contributions to the Pension Fund	3,160	3,170
Total Expenditure	**15,835**	**15,853**
Income		
Indirect support costs recovered from the Pension Fund	**302**	**302**

Joint Ventures

The Council has joint ownership (with RB Kingston upon Thames) of AfC which is a Community Interest Company limited by guarantee. There are 3 main ways in which the 2 councils can exert control over AfC:

- Ownership – as owners, the Councils have reserved powers to appoint and dismiss non-executive directors
- Contractual – the Councils commission AfC to provide Children's Services
- Joint Director of Children's Services – the joint director is employed by the Council and is also the Chief Executive of AfC.

The following summarises the income and expenditure included in the Council's single entity accounts (inclusive of VAT as applicable):

	2015/16 £000	2014/15 £000
Expenditure		
Contract Price / Disbursements	65,116	74,503
Other Expenditure	1,650	361
Total Expenditure	**66,766**	**74,864**
Loan (Revolving Credit Facility)	**6,357**	**7,657**
Income		
Support Services provided to AfC	(2,317)	(2,898)
SEN Transport	(1,517)	(3,891)
Accommodation	(3,201)	(2,818)
Other	(1,291)	(2,144)
Total Income	**(8,326)**	**(11,751)**

The Council also provides a revolving credit facility (short term cash flow loan) to AfC at market rates, the value of which varies throughout the year due to its nature but will not exceed £15m under the terms of the loan agreement.

Further information on AfC Children can be found at www.achievingforchildren.org.uk.

Due to this level of control, AfC are included in the Council's consolidated Group Accounts presented later in the Statement.

NOTE 36 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

The Council participates in 2 Defined Benefit pension schemes which are accounted for as Defined Contribution schemes:

1. Teacher's Pension Scheme (TPS)

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer Defined Benefit scheme. The scheme is also unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every 4 years.

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.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a Defined Benefit basis and detailed in Note 37. The Council is not liable to the scheme for any other entity's obligations under the plan.

2. NHS Pension Scheme

On 1 April 2013 Public Health Services (including staff) were transferred from primary care trusts (PCTs) to local authorities. Local authorities were provided with a ring-fenced public health grant to discharge their new responsibilities. Staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013.

The NHS Pension Scheme is an unfunded, multi-employer, Defined Benefit scheme that covers NHS employers. In the NHS, the scheme is accounted for as if it were a Defined Contribution scheme: "NHS bodies shall account for the NHS Superannuation Scheme as a defined contribution plan" (NHS Manual full reference).

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. The authority is not liable to the scheme for any other entity's obligations under the plan.

	Teacher's Pension Scheme		NHS Pension Scheme	
	2015/16	2014/15	2015/16	2014/15
Total Contributions	£8.2m	£7.5m	£0.2m	£0.2m
Employer's Contribution Rate				
From 1 April	14.10%	14.10%	14.30%	14.30%
From 1 September	16.48%	14.10%	-	-
Anticipated Employer's Contributions next year				
From 1st April	16.48%	14.10%	14.30%	14.30%
From 1st September	16.48%	16.48%	-	-

NOTE 37 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in 2 post-employment arrangements:

- The Local Government Pension Scheme, administered locally by the Council – this is a funded Defined Benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Council is fully responsible for any deficit on its own share of the Fund, and as administering authority could be liable for that of other employers as a funder of last resort. Further information on the LB Richmond Pension Fund is available in the published Pension Fund Annual Report and financial information is also provided in the Pension Fund section of this Statement of Accounts.

- 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 is no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These risks are managed by the Fund over the long term, via the independent actuarial valuation process setting appropriate contribution rates.

Transactions relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year (per the actuarial assessment), so the cost of post-employment/retirement benefits reported in the General Fund is adjusted via the Movement in Reserves Statement to bring the total for the year back to the cash paid. The following table shows these transactions as reported in the CI&ES:

	2015/16 £000	2014/15 £000
Cost of Services		
Current service costs	13,593	10,980
Past service costs	12	116
(Gain)/loss from settlements	0	(3,664)
Financing and Investment Income and Expenditure		
Net Interest Expense	5,897	6,491
Total Post Employment Benefit charged to the (surplus) or deficit on the Provision of Services	**19,502**	**13,923**
Re-measurement of the Net Defined Benefit Liability		
Return on plan assets (excluding amounts included in the net interest expense)	16,947	(39,351)
Actuarial (gain)/loss arising on changes in financial assumptions	(57,650)	75,647
Other experience	(638)	(927)
Total post Employment Benefit charged to the CI&ES	**(21,839)**	**49,292**
Movement in Reserves Statement		
Reversal of net charges made to the (surplus)/deficit for the Provision of Services for post-employment benefits in accordance with The Code	36,051	(34,998)
Actual amount charged against the General Fund balance for pensions in the year		
Employers' contributions payable to scheme	**12,668**	**12,675**
Retirement benefits payable to pensioners	**1,544**	**1,619**

AfC staff contributions would have been included in current service costs in prior years as Council staff. From 2014/15 AfC is a separate scheme employer with the transfer of related assets and liabilities for staff now employed by AfC shown as a settlement in the table above. This significant change in employee numbers will also impact all IAS 19 tables below.

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Present Value of the Defined Benefit obligation	(610,995)	(650,782)	(20,374)	(22,835)
Fair Value of Plan Assets	476,164	482,361	0	0
Net Liability from Defined Benefit Obligations	**(134,831)**	**(168,421)**	**(20,374)**	**(22,835)**

Reconciliation of Present Value of the Scheme Assets and Liabilities

The following table is based on estimated contributions advised to the Actuary during 2015/16. It will therefore not match the final outturn figures reported in the CI&ES and the first table in this note. These differences are not deemed to be material, considering the values reported and the likely impact on the present value of the Council's pension liability.

	2015/16			2014/15		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£000	£000	£000	£000	£000	£000
Opening Present Value at 1st April	**482,361**	**(673,617)**	**(191,256)**	**443,290**	**(599,548)**	**(156,258)**
Current service cost	0	(13,445)	(13,445)	0	(10,980)	(10,980)
Past service cost	0	(12)	(12)	0	(116)	(116)
Interest income/(cost)	15,366	(21,263)	(5,897)	18,341	(24,832)	(6,491)
Liabilities extinguished on settlement	0	0	0	(14,686)	18,350	3,664
Contributions from employer	13,865	0	13,865	12,675	0	12,675
Contributions from employees	3,160	(3,160)	0	3,168	(3,168)	0
Benefits paid	(21,641)	21,641	0	(19,778)	21,397	1,619
Re-measurement gain/(loss)						
Actuarial gain/(loss) arising from changes in financial assumptions	0	57,849	57,849	0	(75,647)	(75,647)
Other experience	0	638	638	0	927	927
Return on plan assets (excl. amounts included in the net interest expense)	(16,947)	0	(16,947)	39,351	0	39,351
Closing Fair Value at 31st March	**476,164**	**(631,369)**	**(155,205)**	**482,361**	**(673,617)**	**(191,256)**

Local Government Pension Scheme assets comprised:

	31 March 2016		31 March 2015	
	£000	%	£000	%
Cash and cash equivalents	6,366	1.3%	5,135	1.1%
Gilts (UK Government)	30,230	6.3%	30,021	6.2%
Corporate Bonds (including via other investment funds)	112,230	23.6%	115,322	23.9%
Equity Instruments (including via other investment funds)	278,017	58.4%	285,811	59.2%
Property (UK)	49,321	10.4%	46,072	9.6%
	476,164	**100%**	**482,361**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries. Estimates for Statements of the Council Fund are being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the Actuary have been:

	Assumptions	
	2015/16 £000	**2014/15 £000**
Long term expected rate of return on assets in the scheme	3.60%	3.20%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.2 years	22.2 years
Women	24.4 years	24.4 years
Longevity at 65 for future pensioners		
Men	24.3 years	24.3 years
Women	26.9 years	26.9 years
Financial Assumptions		
Rate of inflation	2.3%	2.4%
Rate of increase in salaries	3.2%	3.3%
Rate of increase in pensions	2.3%	2.4%
Rate of increase in scheme liabilities	3.6%	3.2%
Take up option to convert annual position into retirement lump sum		
Pre April 2008 service	25%	25%
Post April 2008 service	63%	63%

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

	£000/%	£000/%	£000/%
Adjustment to discount rate of	+0.1%	0.0%	-0.1%
Present value of total obligation	620,799	631,369	642,130
Projected service cost	11,405	11,668	11,937
Adjustment to long term salary increase of	+0.1%	0.0%	-0.1%
Present value of total obligation	632,751	631,369	629,997
Projected service cost	11,674	11,668	11,662
Adjustment to pension increases and deferred revaluation of	+0.1%	0.0%	-0.1%
Present value of total obligation	640,875	631,369	622,028
Projected service cost	11,935	11,668	11,407
Adjustment to life expectancy assumptions of	+1 Year	None	- 1 Year
Present value of total obligation	650,395	631,369	612,918
Projected service cost	11,966	11,668	11,378

Asset and Liability Matching (ALM) Strategy

The Pension Fund Committee of the Council does not currently have an ALM strategy. The asset allocation is based on the growth needed to ensure the Fund moves towards a fully funded position as agreed in the triennial actuarial review. As the Fund progresses towards this position, the investment strategy will be reviewed to take into account the potential benefits of matching assets and liabilities in this way.

Impact on the Council's Cash Flows

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 20 years. The certified rates for 3 years are 17.4% of payroll (estimated at £8.2m for 2015/16) plus a lump sum of £4.778m were set at the 2013 valuation (subsequently amended by the actuary to £4.453m for 2015/16). The Council fund is still open to new membership with a significant number of active members and is therefore not mature. The next triennial valuation is due to be completed on 31 March 2016.

NOTE 38 INSURANCE

The Council has 2 methods of insurance. External insurance is bought for unmanageable scenarios, such as catastrophic loss. Self-insurance is used for smaller possible losses (e.g. vandalism, replacement of stolen equipment) where the cost would be below the excess of the external policy. The Council held the following insurance policies with external insurers with material excess limits:

	2015/16		2014/15	
Policy	Total Sum Insured £000	Excess £000	Total Sum Insured £000	Excess £000
Property	705,394	100	722,887	100
Public liability	30,000	100	30,000	100
Employer's liability	30,000	100	30,000	100
Vehicles	N/a	100	N/a	100

The sums insured include cover for terrorism for which there is an additional premium.

The Council maintains an Insurance Fund set aside as self-insurance for uninsured risks. The Fund is split between existing and un-discharged claims at 31 March that will, with reasonable certainty, give rise to expenditure by the Council (recognised as a provision) and an amount set aside to fund unknown or future losses (recognised as a reserve). The total Fund is regularly reviewed by external assessors to ensure that sufficient cover is provided. The last valuation and review of the 2015/16 year end position showed that balances were in line with likely future costs.

Insurance Fund	**2015/16 £000**	**2014/15 £000**
Recognised as a reserve	1,389	2,084
Recognised as a provision	1,127	429
Total Fund at 31 March	**2,516**	**2,513**

NOTE 39 GROUP RELATIONSHIPS

Interests in Companies and Other Entities

Orleans House Trust
The Council is sole Trustee of the Orleans House Trust. The trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection. Previously the Council was not able to benefit from the assets of the trust as there was a clear separation between the operations of the trust and the cultural services of the Council. During 2013/14 a formal management agreement was signed which enables the trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured. The new agreement will ensure that both organisations aims are achieved in the most cost effective way. The objectives of both organisations will be delivered by the same team located at the Orleans House premises. The Council has assessed that the new management agreement effectively formalises the sharing of benefits from the assets of the trust and the Council and that this satisfies the conditions for group account reporting. The 2015/6 Accounts therefore present the Orleans House Trust as a Subsidiary of the Council.

Achieving for Children (AfC)
AfC is a Joint Venture with RB Kingston in the form of a wholly owned community interest company. This organisation operates at arm’s length from the Council. LB Richmond upon Thames therefore acts as commissioners – commissioning AfC to provide services such as adoption, fostering, high quality support for schools, children’s centres and support for children with special educational needs. In 2015/16 the Council’s Special Educational Needs Transport Service was transferred to AfC. AfC is also able to trade with other Councils.

AfC became operational from 1 April 2014 and the 2015/16 Accounts therefore present AfC as a Joint Venture with consolidated Group Accounts presented on this basis.

Other
The Council has no other material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities.

Shared Services

South London Legal Partnership
In September 2011 the Council entered into a joint arrangement with LB Merton for the provision of Legal Services. The service is hosted by LB Merton but governed by a joint board which oversees the delivery of services. This has now developed into the South London Legal Partnership which was formed on 1 October 2013. This partnership joined together the Legal Services of LB Richmond, RB Kingston, LB

Merton and LB Sutton and is the first 4 borough shared legal service in London. The Council incurred expenditure of £1m in 2015/16 (£1m in 2014/15) in relation to this service. LB Wandsworth is expected to join this shared service during 2016/17 as part of the wider Shared Staffing Arrangement (SSA) between LB Richmond and LB Wandsworth.

Internal Audit and Investigations Service
A shared service with the RB Kingston was established on 1 June 2012. The service is hosted (and staff employed) by LB Richmond. The service provides the statutory Internal Audit Service for both councils and provides an anti-fraud and corruption service by carrying out investigations of suspected financial fraud and irregularity. The 2 Councils have shared a Joint Head of Internal Audit since 1 December 2011. RB Kingston is charged on the basis of time spent and an agreed audit day rate. The Council spent £1.1m on this shared service in 2015/16 and recovered £0.6m from other partners (£1.0m expenditure and £0.7m income in 2014/15). LB Merton joined the shared service on 1 October 2015 and it has been agreed to extend the shared service further to include the LB Sutton from 1 April 2016. LB Wandsworth is expected to join also during 2016/17 as part of the wider SSA between LB Richmond and LB Wandsworth.

As a result of the move to a Single Fraud Investigation Service for Housing Benefits run by the Department for Work and Pensions (DWP) in November 2014, the in-house resourcing for fraud investigations was greatly reduced. The Council decided to join a shared service (South West London Fraud Partnership) hosted by LB Wandsworth with the remaining Richmond staff transferring in May 2015. Further information can be found at:
https://cabnet.richmond.gov.uk/documents/s59220/Enc.%202%20for%20Expansion%20of%20the%20Shared%20Internal%20Audit%20Service.pdf.

Human Resources
Since 1 April 2012 the Council's Human Resource Service has been delivered via a shared service between LB Richmond and RB Kingston (the lead Council). The service includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations advice and the provision of learning and development. The Council incurred expenditure of £1.1m in 2015/16 (£1.3m in 2014/15) in relation to this service. The Council will be ending its current arrangement with RB Kingston in 2016/17 as part of the wider SSA between LB Richmond and LB Wandsworth.

Pension Administration Services
The administering body responsibility of the Council's Pension Fund was delegated to LB Wandsworth on 1 March 2015. All pension administration staff are now employed by and based at LB Wandsworth. The Council incurred expenditure of £0.2m in 2015/16 (£16k in 2014/15) in relation to this service.

Consumer Protection Service
As of the 1 August 2014 the Council entered into a joint arrangement with LB Merton for the provision of Consumer Protection Services. The service is hosted by LB Merton but governed by a joint board who oversee the delivery of services.

NOTE 40 POOLED BUDGETS

The Council has entered into 5 agreements for pooling of budgets under the NHS Act 2006. They are:

- Joint Integrated Community Equipment Service – Hounslow and Richmond Community Healthcare Trust
- Joint Integrated Mental Health Service – South West London and St. George's Mental Health Trust
- Better Care Fund – Richmond CCG
- Joint Integrated Health and Social Care Service – Richmond CCG
- Joint Integrated Rapid Response Service – Hounslow and Richmond Community Healthcare Trust.

Detailed information on these arrangements is provided in Technical Annexe 5.

NOTE 41 HOME LOANS UNIT (HLU)

In 1988 the Council took over the responsibility for the former Greater London Council (GLC) mortgage portfolio. The details of the transfer of this function and the terms on which the Council undertakes the functions are set out in the London Government Reorganisation (Mortgages) Order 1988, SI 1988 (1747). The Council administers these loans on behalf of all London Borough councils through the HLU, and distributes any surpluses from the operation of the loan portfolio to the councils annually. As no new advances are made, the redemption of existing mortgages will eventually extinguish this account. The Council administers all transactions, assets and liabilities relating to the previously made mortgages of the HLU on behalf of all London Borough councils. The following tables provide details of the HLU's Balance Sheet and Income and Expenditure:

	As at 31 March 2016		As at 31 March 2015	
	£000	£000	£000	£000
Long Term Assets				
Equity shares in property	3,946		4,063	
Current Assets				
Temporary Investments	207		88	
Sundry Debtors	80		86	
Cash and Bank	363	4,596	322	4,559
Current Liabilities				
Sundry Creditors	(325)			
Creditor – LB Richmond	(59)	(384)		(355)
				0
Total Assets less Liabilities		**4,212**		**4,204**
Represented by				
Capital reserve – Equity Shares in property		(3,946)		(4,063)
Revenue Account surplus		(145)		(137)
Capital Appropriation Account		(121)		(4)
		(4,212)		**(4,204)**

Long Term Assets – Equity share properties that are 50% owned by the individual mortgagors and 50% owned by the HLU.

Capital Receipts – Capital receipts are in respect of mortgage principal repayments. The Council administers the HLU on behalf of all London Borough councils, and therefore, all receipts are distributed to these councils at the year-end.

This table provides a summary of the mortgage payments made to the HLU, and the amount distributed to all London Borough councils:

	2015/16	2014/15
	£000	£000
Balance brought forward	(5)	0
Surplus for the year	(116)	(155)
	(121)	(155)
Amounts distributed to London Borough councils	0	150
Balance carried forward	(121)	(5)

NOTE 42 TRUST FUNDS

The following table provides a summary of the main trust funds held by the Council, and gives details of the total value and movement for the other, smaller trust funds. The trust funds are separate entities, and not part of the Council's single entity Comprehensive Income and Expenditure Statement or Balance Sheet. The Orleans House Trust forms part of the Council's consolidated Group Accounts.

Trust Fund	Balance at 31 March 2015	Income	Expenditure	Balance at 31 March 2016
	£000	£000	£000	£000
Orleans House	7,367	23	119	7,271
Housing Trust	1,348	5	0	1,353
Other minor trust funds	254	1	0	255
	8,969	**29**	**119**	**8,879**

Orleans House Charitable Trust

Orleans House, the Octagon Room, the extension wings, stable block and art collection were bequeathed to the Council for the public benefit of the residents of Twickenham in 1962. In the same bequest, Riverside House, River Lawn and the Gardener's Cottage were left to the Council for its statutory purposes and to provide income to support the maintenance of the Orleans House buildings and art collection. In 2010/11 Orleans House was formally registered as a charity from this bequest. A new management agreement was put in place from August 2013 which formalised the services the Council will provide on behalf of the trust and the Council's rights to use trust assets. The trust is included in the Council's consolidated Group Accounts.

Housing Trust

On 18 October 2011, Richmond Housing Partnership (RHP) and LB of Richmond entered into a Trust Account Deed. From 2011, if RHP sells any of the properties that were transferred to RHP under the Large Scale Voluntary Transfer (LSVT) and which are subject to the Trust Deed Account arrangements then the proceeds are paid into this account. RHP can then draw down from this account, spend monies on eligible affordable housing schemes as dictated by the terms of the Trust Account Deed.

This arrangement does not include sales where the buyer had a Preserved Right to Buy based on their tenancy with the Council prior to the LSVT. The Council is currently working with RHP to review and update the terms of the Trust Account Deed to take into account changes in relation to the Greater London Authority funding regime for affordable housing, these changes will be reported to Cabinet for approval.

RISKS AND UNCERTAINTIES

NOTE 43 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Non-Current Assets

The Council values its land and building assets on a rolling 5 year basis and performs an annual assessment of groups of assets to ensure their valuations are materially correct. 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. Fair value as applied to relevant assets will depend upon the property market.

Net book value of Property, Plant and Equipment at 31 March 16 was £844m. A change in value of 1% on 20% (approximately 1 year of valuation) of that value is £1.7m. The average building asset life is 35 years so a change in useful life of 1 year would change depreciation by approximately £0.4m.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex estimates that include:

- the discount rate used
- the projected rate of increase for salaries and pensions
- changes in retirement ages
- changes in mortality rates
- expected returns on investment assets.

The Council's Actuary provides advice on these estimates. The effect of changes in individual assumptions can be measured, but the assumptions interact in complex ways. The Council takes advice from its Actuary regarding appropriate assumptions and relies on its actuary for the calculations of their effects. A sensitivity analysis is detailed in Note 37.

Arrears

At 31 March 2016 the Council had a balance of £10.5m in respect of sundry debtors. Of this debt £1.3m is with NHS bodies and other local authorities, and a further £2.2m is with Achieving for Children. These are considered as having little or no risk. The remaining debt with commercial bodies and individuals is £7.0m.

There is impairment for doubtful debts of £1.3m. This allowance is regarded as adequate taking into account historic and recent recovery levels and the current economic climate, any future adverse economic or financial events could impact on the collection of debts. If collection rates were to deteriorate significantly below levels assumed in estimating an impairment allowance, additional amounts may need to be set aside. A decrease in collection rates of 10% would require an additional £0.6m to be set aside as an allowance for impairment.

Provisions

The Council holds a number of provisions, most of which are for a relatively minor amount. However, this year, the Council has made a provision for backdated Business Rate appeals and set aside £3.0m to cover its potential loss from future Valuation Office Agency (VOA) decisions. The calculation is based on the number of outstanding appeals and is adjusted for two things: a) an estimation of the amount of the appeal and b) the likelihood of success. Both estimations have been modelled on historic data and information supplied by the VOA. A 10% variation of either estimation would change the provision by £300k. A contingent liability has been disclosed for future appeals.

Interest Rates

The Council has borrowings of £4.0m and investments of £48.4m at 31 March 2016 on which interest is not fixed and the amount paid or received will vary if interest rates change. Financial provision has been made in the Council's future financial plans for a gradual increase in interest rates over the next few years. The continuing uncertainty in money markets could result in increases in interest rates significantly above the levels planned for. The impact of a 1% change in interest rates on these current values would be a net increase in interest receivable of £0.5m.

The financing of the capital programme for 2016/17 includes an estimated £36.3m borrowing. The impact of a 1% change in interest rates on this new borrowing would change the cost by £0.4m resulting in a variance against the Council's budgeted interest costs.

NOTE 44 CONTINGENT LIABILITIES

Contingent liabilities relate to possible expenditure arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The possible liability is dependent on the outcome of something happening in the future. A review is undertaken annually to identify any potential liabilities. There are always a number of claims and potential costs outstanding against the Council. This note lists those with material financial costs.

At 31 March 2016 the Council had a number of outstanding employment tribunals, legal and insurance cases which could give rise to a liability in the future. If the cases do give rise to a liability these costs will be met from the insurance provision (based on total value of all outstanding cases) or from in year budgets. Where possible, details have been disclosed in the note below but for confidentiality reasons the Council can not disclose the details of all cases.

Termination Benefits

The Council continues to face major challenges arising from the requirement to cope with funding pressures whilst seeking to maintain key services and restrict increases in Council Tax. In response to this the Council has embarked on an ambitious programme to share staff with the LB Wandsworth to achieve a significant expenditure reduction in the future. Such reductions will inevitably result in a number of redundancies during the next few years as restructures and changes to service delivery are implemented. At this point the Council is unable to reliably estimate the liability that could arise. Any future liability will be met from reserves and/or in year budgets.

Achieving for Children (AfC)

The Council owns 50% of AfC (with RB Kingston upon Thames) and AfC have reported a pension deficit of £15.5m. As joint owners the Council would be responsible for meeting their 50% share of this liability were AfC to cease trading.

London Pension Fund Authority (LPFA) deficit

The Council has been informed that based on a recent actuarial assessment the LPFA Pension Fund has a deficit. This fund relates to pensions for former employees of the now disbanded Greater London Council and the LB Richmond has a legal obligation to contribute. The funding level, the ratio between assets and liabilities as measured on a triennial valuation basis, is circa 92%. As at 31 March 2016 a final decision on how to address the deficit had not yet been made but it is possible that London Boroughs will be asked for increased contributions. At present the Council does not have sufficient information to estimate the potential liability.

Business Rates Appeals

When the new Business Rates retention system was introduced on 1 April 2013 the Council took on the risk and reward associated with 30% of the annual Business Rates Yield. As a consequence the Council is exposed to a significant risk regarding Business Rates appeals. Organisations can appeal the Rateable Value of their business premises if they believe it is incorrect. These appeals are lodged directly with the Valuation Office Agency (VOA) who then assesses the case and either reject the appeal or adjust the Rateable Value of the premises. Where appeals are successful the Council must refund any amounts that have been overcharged (backdated to the last revaluation).

The Collection Fund includes a provision of £9.8m in 2015/16, of which £3.0m or 30% is included in the Council's Accounts, to allow for backdated appeals relating to 2015/16 and prior years. This provision is based on appeals outstanding as at 31 March 2016, as advised by the VOA.

NOTE 45 CONTINGENT ASSETS

Contingent assets relate to possible income arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The right to the potential asset is dependent on something happening in the future. A review is undertaken annually to identify potential contingent assets.

There were no contingent assets outstanding as at 31 March 2016.

NOTE 46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Council does not hold many types of financial instruments. For cash management, the majority of instruments are fixed term and fixed interest deposits and borrowing, with instant access deposit accounts used for liquidity. Finance lease and PFI transactions are similarly fixed term and fixed interest. The other main areas of financial instruments are trade debtors, creditors and a long term loan to West London Waste Authority as detailed in Note 27.

The key risk around money due to the Council (either as an investment or a debtor) is that the money will not be received, or received late (credit risk). This risk is covered by the Council's counterparty creditworthiness policy for investments and the debt recovery controls for debtors.

The key risk around money the Council is due to pay is having funds available to make payments when they are due (liquidity risk). This is managed through cash flow projections, use of liquidity accounts, and setting aside revenue for debt repayment.

There is also the risk that decisions taken to agree fixed interest rates (to give certainty for financial planning) may result in an opportunity cost. This is managed by a combination of advice from external specialist advisors, regular overview of current market expectations and the use of interest rate projections to inform decision making.

A policy loan was made to Richmond upon Thames College to support the costs connected with purchase of land for the construction of a new secondary school.

Further detail on these risks is available in Technical Annexe 4.

CONSOLIDATED GROUP ACCOUNTS

Introduction

This section of the Statement of Accounts details the Group financial statements for the Council. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Council controls.

The Council has to prepare group accounts where it has any interests in Subsidiaries, Associates and any Joint Controlled Ventures, subject to consideration of materiality and using uniform Accounting Policies. Each year assessments are made of the Council's relationship with its partners and where an external body is assessed as having a group relationship (in accounting terms), group accounts are prepared.

Orleans House Trust (OHT)
This year the Council has again assessed Orleans House Trust as a Subsidiary as the Council is sole Trustee. The trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection and has a formal management agreement with the Council which sets out roles and responsibilities of both parties to enable the trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured. OHT's Accounts showed a net cash surplus for the year of £23k as a result of donations.

Achieving for Children (AfC)
AfC was established on 5 February 2014 and was operational from 1 April 2014. It is a Community Interest Company limited by Guarantee that is jointly owned by the Council (50%) and the RB Kingston (50%). Both Councils have commissioned AfC to provide Children's and Educational Services across both boroughs and it is anticipated that AfC will begin trading with other organisations in the future. AfC has offered an opportunity to pool facilities, staff talents and to share assets. The main benefits are greater capacity in safeguarding and looking after the most vulnerable children as well as providing the highest quality services to support schools. The Council has assessed AfC as a Joint Venture. AfC's Accounts have been prepared in accordance with International Financial Reporting Standards and showed a net profit of £4.8m (see note G4) which is mainly due to financial accounting adjustments including in-year adjustments to pension liabilities.

Both councils also provide a revolving credit facility (short term cash flow loan) to AfC at market rates, under the terms of the legal agreement signed by all three parties. This loan is shown in the Council's Accounts as a short term debtor, with a fair value equal to carrying value due to the loan requiring repayment at no more than 6 monthly intervals. Both councils fund the loan equally, with AfC holding the same debt with both authorities.

The Accounting Policies of both OHT and AfC are the same as the Council's and where the notes to the Group Accounts are not materially different from those of the Council, no additional note has been disclosed.

The Group Accounts consist of the following:

- Group consolidated Income and Expenditure Account
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Practices.

	31 March 2016			31 March 2015		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Central Services to the Public	6,359	(3,303)	3,056	6,807	(3,288)	3,519
Cultural and Related Services	24,904	(6,254)	18,650	22,094	(4,743)	17,351
Environmental and Regulatory Services	20,556	(5,339)	15,217	22,975	(6,422)	16,553
Planning Services	10,636	(4,017)	6,619	9,493	(4,072)	5,421
Education and Children's Services	171,041	(124,461)	46,580	171,297	(119,372)	51,925
Highways and Transport Services	27,076	(15,201)	11,875	29,233	(15,514)	13,719
Housing Services (General Fund)	83,483	(77,888)	5,595	82,819	(76,195)	6,624
Adult Social Care	80,703	(22,785)	57,918	77,267	(19,672)	57,595
Public Health	8,735	(8,735)	0	8,283	(8,094)	189
Corporate and Democratic Core	3,249	(64)	3,185	3,826	(184)	3,642
Non Distributed Costs	3,180	(32)	3,148	(3,512)	(30)	(3,542)
Cost Of Services	**439,922**	**(268,079)**	**171,843**	**430,582**	**(257,586)**	**172,996**
Other Operating Expenditure	11,715	(5,273)	6,442	8,730	(11,262)	(2,532)
Financing and Investment Income and Expenditure	4,181	(2,617)	1,564	16,716	(8,100)	8,616
Taxation and Non-Specific Grant Income	0	(170,472)	(170,472)	2,021	(178,748)	(176,727)
(Surplus) or deficit on Provision of Services	**455,818**	**(446,441)**	**9,377**	**458,049**	**(455,696)**	**2,353**
Share of the (surplus) or deficit of Joint Ventures			2,051			8,534
Group (surplus)/deficit			**11,428**			**10,887**
(Surplus) or deficit on revaluation of Property, Plant and Equipment			(12,767)			(53,548)
Actuarial gains/losses on pension assets/liabilities			(41,341)			35,368
Share of Other Comprehensive Income and Expenditure of Joint Ventures			(4,479)			2,651
Other Comprehensive Income and Expenditure			**(58,587)**			**(15,529)**
Total Comprehensive Income and Expenditure			**(47,159)**			**(4,642)**

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation), unusable reserves (those that the Council cannot utilise to provide services) and the Council's share of its Subsidiary and Joint Venture's reserves.

	LBR Usable Reserves	LBR Unusable Reserves	Authority's share of Subsidiary and Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
Balance at 31 March 2014	**(64,754)**	**(515,425)**	**(6,767)**	**(586,946)**
Movement in reserves during 2014/15				
(Surplus) or deficit on Provision of Services	2,259	0	8,628	10,887
Other Comprehensive Expenditure and Income	(17,421)	0	1,892	(15,529)
Total Comprehensive Expenditure and Income	**(15,162)**	**0**	**10,520**	**(4,642)**
Adjustments between accounting basis and funding basis under regulations	12,293	(12,358)	65	0
Net increase/decrease	**(2,869)**	**(12,358)**	**10,585**	**(4,642)**
Balance at 31 March 2015	**(67,623)**	**(527,783)**	**3,818**	**(591,588)**
Movement in reserves during 2015/16				
(Surplus) or deficit on Provision of Services	9,281	0	2,147	11,428
Other Comprehensive Expenditure and Income	(54,108)	0	(4,479)	(58,587)
Total Comprehensive Expenditure and Income	**(44,827)**	**0**	**(2,332)**	**(47,159)**
Adjustments between accounting basis and funding basis under regulations	48,377	(48,377)	0	0
Net increase/decrease	**3,550**	**(48,377)**	**(2,332)**	**(47,159)**
Balance at 31 March 2016	**(64,073)**	**(576,160)**	**1,486**	**(638,747)**

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council, Subsidiary and Joint Venture.

	Notes	31 March 2016 £000	31 March 2015 £000
<u>**NET ASSETS**</u>			
Property, Plant and Equipment	*G1*	850,405	832,097
Heritage Assets	*G1*	3,778	3,739
Investment Property		17,290	14,301
Intangible Assets		146	219
Long Term Investments		750	2,250
Long Term Debtors		25,452	17,728
Long Term Assets		**897,821**	**870,334**
Short Term Investments		21,567	8,638
Assets Held for Sale		0	1,687
Inventories		54	45
Short Term Debtors		38,069	49,740
Cash and Cash Equivalents		26,130	17,854
Current Assets		**85,820**	**77,964**
Short Term Borrowing		(4,906)	(2,203)
Short Term Creditors		(44,811)	(46,612)
Provisions		(3,756)	(2,714)
Current Liabilities		**(53,473)**	**(51,529)**
Long Term Creditors		(1,069)	(1,247)
Grants Receipts in Advance – Capital		(4,321)	(6,404)
Provisions		(710)	(270)
Long Term Borrowing		(94,011)	(66,948)
Other Long Term Liabilities		(182,553)	(219,126)
Share of Joint Venture Liability	*G4*	(8,756)	(11,185)
Long Term Liabilities		**(291,420)**	**(305,180)**
Net Assets		**638,748**	**591,589**
<u>**TOTAL RESERVES**</u>			
Usable Reserves	*G2*	(64,121)	(67,649)
Unusable Reserves	*G2*	(583,383)	(535,125)
Share of Joint Venture Reserves	*G2, G4*	8,756	11,185
Total Reserves		**(638,748)**	**(591,589)**

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

	Notes	**31 March 2016 £000**	**31 March 2015 £000**
Net (surplus) or deficit on the Provision of Services		11,428	10,887
Adjustments to net (surplus) or deficit on the Provision of Services for noncash movements	*G3*	(27,557)	(26,479)
Adjustments for items included in the net (surplus) or deficit on the Provision of Services that are Investing and Financing Activities		1,329	5,450
Net cash flows from Operating Activities		**(14,800)**	**(10,142)**
Investing Activities		36,963	22,804
Financing Activities		(30,439)	(20,443)
Net (increase) or decrease in cash and cash equivalents		**(8,276)**	**(7,781)**
Cash and cash equivalents at the start of the reporting period		17,854	10,073
Cash and cash equivalents at the end of the reporting period		**26,130**	**17,854**

NOTE G1 PROPERTY, PLANT AND EQUIPMENT, AND HERITAGE ASSETS

This note provides an analysis of the non-current assets of the Group.

	2015/16 Property, Plant & Equipment £000	2015/16 Heritage Assets £000	2014/15 Property, Plant & Equipment £000	2014/15 Heritage Assets £000
Cost or Valuation				
At 1 April	913,302	3,739	823,990	3,744
Restatement*	(19,737)	0	0	0
Additions	28,965	44	51,631	0
Revaluation increase/(decrease) to RR* *	8,930	0	46,198	0
Revaluation increase/(decrease) to SDPS ***	(10,182)	0	(7,862)	0
De-recognition-Disposals	(6,032)	0	(654)	0
Transfers between classes	3,764	0		
At 31 March	**919,010**	**3,783**	**913,303**	**3,744**
Depreciation and Impairment				
At 1 April	(81,206)	0	(64,760)	0
Restatement*	19,737	0	0	0
Depreciation charge	(15,931)	(5)	(14,503)	(5)
Depreciation written out to RR**	0	0	8,629	0
Impairment loss/(reversal) to RR**	3,837	0	(1,279)	0
Impairment loss/(reversal) to SDPS***	558	0	(9,493)	0
De-recognition-Disposals	4,383	0	200	0
Transfers between classes	17			
At 31 March	**(68,605)**	**(5)**	**(81,206)**	**(5)**
Net Book Value at 31 March	**850,405**	**3,778**	**832,097**	**3,739**

* This Restatement line corrects prior year opening figures where Depreciation and Impairment was incorrectly reported as a change in the Cost or Valuation value.
**RR = Revaluation Reserve
***SDPS = (surplus)/deficit on Provision of Services

NOTE G2 GROUP RESERVES

This note provides a breakdown of the Group's reserves. For Orleans House Trust, the usable reserve represents the accumulated cash donations and the unusable reserve represents the financing of the trust's non-current assets. For AfC, the reserve represents the Council's proportion (50%) of AfC's accumulated deficit.

	31 March 2016 £000	31 March 2015 £000
Usable Reserves		
London Borough of Richmond	(64,073)	(67,625)
Subsidiaries – Orleans House Trust	(48)	(24)
	(64,121)	**(67,649)**
Unusable Reserves		
London Borough of Richmond	(576,160)	(527,781)
Subsidiaries – Orleans House Trust	(7,223)	(7,344)
	(583,383)	**(535,125)**
Share of Joint Venture Reserves		
Achieving for Children	8,756	11,185
Total Group Reserves	**638,748**	**591,589**

NOTE G3 NOTES TO THE GROUP CASH FLOW STATEMENT

The note below shows a breakdown of the adjustments made to the net (surplus)/deficit on the Provision of Services as shown in the Group Cash Flow Statement.

	31 March 2016 £000	31 March 2015 £000
Analysis of the adjustment to net (surplus) or deficit on the Provision of Services for non-cash movements		
LB Richmond	(25,387)	(17,825)
Orleans House Trust	(119)	(120)
Achieving for Children	(2,051)	(8,534)
	(27,557)	**(26,479)**

NOTE G4 SUMMARY ACCOUNTS OF JOINT VENTURE

This note provides a summary set of Accounts for Achieving for Children.

Summary Statement of Profit and Loss	31 March 2016 £000	31 March 2015 £000
Operating Profit/(Loss)	(3,206)	(16,360)
Finance costs	(895)	(708)
Profit/(Loss) before Tax	**(4,101)**	**(17,068)**
Other Comprehensive Income	8,958	(5,301)
Net Profit/(Loss) for the year	**4,857**	**(22,369)**
LB Richmond share (50%)	(2,429)	11,185
Add Net Loss brought forward	11,185	0
Net Loss carried forward	**8,756**	**11,185**

Summary Balance Sheet	31 March 2016 £000	31 March 2015 £000
Assets		
Total Non-Current Assets	56	86
Cash and Cash Equivalents	1,412	951
Trade and other receivables	24,122	30,778
	25,590	**31,815**
Equity and Liabilities		
Accumulated Profit/(Loss)	17,512	22,369
Long Term Liabilities	(15,516)	(20,500)
Short Term Liabilities	(27,586)	(33,684)
	(25,590)	**(31,815)**

NOTE G5 MAJOR SOURCE OF ESTIMATION UNCERTAINTY FOR THE GROUP

Actuarial Valuation of Pensions Assets and Liabilities

A major part of the accumulated loss shown in AfC's Accounts is in respect of a net liability in respect of pensions. Pension assets and liabilities and associated costs have been calculated in line with methodologies prescribed in IAS19. The Actuary makes assumptions based on indicators of future trends and small changes in these trends can lead to substantial changes to the calculated assets and liabilities.

A sensitivity analysis on changes to actuarial assumptions in AfC's Accounts is shown below:

Impact on the Defined Benefit Obligations in the scheme	31 March 2016		31 March 2015	
	£000	%	£000	%
Longevity (impact of change by 1 year)	1,921	3%	1,828	3%
Rate of discounting scheme liabilities (impact of change by 0.5%)	8,292	13%	7,861	13%
Rate of Increase in salaries (impact of change by 0.5%)	3,120	5%	3,668	6%
Rate of Increase in pensions (impact of change by 0.5%)	4,985	8%	3,913	6%

COLLECTION FUND ACCOUNTS

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This 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, Business Rates (National Non-Domestic Rates or NNDR) and the Business Rates Supplement (BRS).

		2015/16				2014/15			
		Business Rates	Business Rates Supplement	Council Tax	Total	Business Rates	Business Rates Supplement	Council Tax	Total
	Note	£000	£000	£000	£000	£000	£000	£000	£000
Income									
Income		(82,545)	(2,184)	(138,420)	**(223,149)**	(81,126)	(2,102)	(137,210)	**(220,438)**
Transfers from the General Fund									
Transitional Relief/Protection Payments		0	0	(2)	**(2)**	645	0	(3)	**642**
Total Income		(82,545)	(2,184)	(138,422)	**(223,151)**	(80,481)	(2,102)	(137,213)	**(219,796)**
Expenditure									
Precepts, Demands and Shares									
Payment to LB Richmond upon Thames	*C3*	24,482	0	110,326	**134,808**	24,673	0	109,186	**133,859**
Payment to Greater London Authority	*C3*	16,322	2,049	25,281	**43,652**	16,449	2,027	25,359	**43,835**
Payment to Central Government	*C3*	40,804	0	0	**40,804**	41,122	0	0	**41,122**
Costs of Collection		299	8	0	**307**	303	10	0	**313**
Bad and doubtful debts and appeals									
Write offs		1,506	0	113	**1,619**	8	0	194	**202**
Bad Debt Provision		(225)	127	283	**185**	44	65	397	**506**
Rateable Value Appeals Provision		3,115	0	0	**3,115**	2,602	0	0	**2,602**
Contributions – distribution of previous year's surplus									
LB Richmond upon Thames		(1,033)	0	750	**(283)**	331	0	750	**1,081**
Central Government		(689)	0	0	**(689)**	552	0	0	**552**
Greater London Authority		(1,721)	0	175	**(1,546)**	221	0	176	**397**
Total Expenditure		82,860	2,184	136,928	**221,972**	86,305	2,102	136,062	**224,469**
Net (surplus)/deficit for the year		**315**	**0**	**(1,494)**	**(1,179)**	**5,824**	**0**	**(1,151)**	**4,673**
Movement on Fund balance									
Net (surplus)/deficit for year	*C4*	315	0	(1,494)	**(1,179)**	5,824	0	(1,151)	**4,673**
(Surplus)/deficit brought forward at 1 April	*C4*	7,917	0	(4,206)	**3,711**	2,093	0	(3,055)	**(962)**
(Surplus)/deficit carried forward at 31 March	*C4*	**8,232**	**0**	**(5,700)**	**2,532**	**7,917**	**0**	**(4,206)**	**3,711**

Under the Business Rates retention system (in place since 1 April 2013) Business Rates income is shared amongst Central Government (50%), the Council (30%) and the Greater London Authority (20%). Previously, all Business Rates income was paid over to Central Government and redistributed as Government grant.

The Fund has accumulated a deficit of £8.2m on Business Rates as at 31 March 2016, which is principally due to the impact of backdated appeals. When these appeals are successful, they are in most cases, backdated to 2010. The impact on a single year's account can be substantial and so a provision is set aside to fund these appeals. At 31 March 2016 there were 747 outstanding appeals.

NOTES TO THE COLLECTION FUND ACCOUNTS

NOTE C1 NNDR RATEABLE VALUE AND MULTIPLIER

This note shows the total National Non-Domestic Rateable Value at year-end and the National Non-Domestic Rate Multiplier for the year.

	2015/16 £000	2014/15 £000
Total NNDR Rateable Value	204,298	205,367
NNDR Multiplier	49.3 pence	48.2 pence
Small NNDR Multiplier	48.0 pence	47.1 pence

NOTE C2 COUNCIL TAX BASE

This note shows the calculation of the Council Tax Base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings.

	2015/16			2014/15
Valuation Band	**Number of Properties** (after discounts and exemptions)	**Ratio**	**Equivalent Band D Properties**	**Equivalent Band D Properties**
A*	1.00	5/9	0.56	0.56
A	355.39	6/9	236.93	232.63
B	1,258.88	7/9	979.13	946.54
C	8,593.02	8/9	7,638.24	7,464.52
D	15,940.59	9/9	15,940.59	15,715.94
E	16,856.35	11/9	20,602.21	20,443.51
F	10,806.32	13/9	15,609.13	15,524.56
G	11,873.25	15/9	19,788.75	19,670.95
H	3,211.96	18/9	6,423.92	6,318.64
			87,219.46	**86,317.95**
Less adjustment for Collection Rate			(1,569.96)	(1,553.72)
Plus Ministry of Defence properties			47.70	47.70
Council Tax Base			**85,697.20**	**84,811.93**

Note Band A* attracts disabled relief

NOTE C3 PRECEPTS ON THE COLLECTION FUND

This note provides details of each authority which made a precept on the Collection Fund.

	2015/16 £000	2014/15 £000
Council Tax		
London Borough of Richmond upon Thames	110,326	109,186
Greater London Authority	25,281	25,359
Business Rates		
London Borough of Richmond upon Thames	24,482	24,673
Greater London Authority	16,322	16,449
Central Government	40,804	41,122
	217,215	**216,789**

NOTE C4 COLLECTION FUND BALANCES

This note details the split of Collection Fund balances between the major preceptors on the Collection Fund.

	2015/16				2014/15			
	LB Richmond £000	GLA £000	Central Government £000	Total £000	LB Richmond £000	GLA £000	Central Government £000	Total £000
Surplus brought forward at 1 April	(1,045)	797	3,959	**3,711**	(1,848)	(160)	1,046	**(962)**
Net (surplus)/deficit for year	(1,150)	(186)	157	**(1,179)**	803	957	2,913	**4,673**
Surplus carried forward at 31 March	**(2,195)**	**611**	**4,116**	**2,532**	**(1,045)**	**797**	**3,959**	**3,711**
Relating to								
Business Rates	2,470	1,646	4,116	**8,232**	2,375	1,583	3,959	**7,917**
Council Tax	(4,665)	(1,035)	0	**(5,700)**	(3,420)	(786)	0	**(4,206)**
	(2,195)	**611**	**4,116**	**2,532**	**(1,045)**	**797**	**3,959**	**3,711**

PENSION FUND ACCOUNTS

The Pension Fund accounts are required to be included in the Council's Statement of Accounts (given the Council's statutory position as the administering authority).

FUND ACCOUNT

	Note	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000
DEALINGS WITH MEMBERS AND EMPLOYERS					
Contributions receivable					
From employers	*P7*	(19,483)		(19,148)	
From members	*P7*	(5,183)		(5,090)	
Transfers in:					
Individual transfers from other schemes		(598)	(25,264)	(1,502)	(25,740)
Benefits payable	*P7*				
Pensions		19,038		18,390	
Commutation of pensions and lump sum retirement benefits		3,763		3,259	
Lump sum death benefits		702	23,503	712	22,361
Payments to and on account of Leavers					
Refunds of contributions		76		31	
Transfers out:					
Individual transfers (to other schemes or funds within the LGPS)	*P8*	1,941	2,017	2,365	2,396
Net additions/(withdrawals) from dealings with members			**256**		**(983)**
Management expenses	*P10*		**1,857**		**1,809**
Returns on investments					
Investment income					
Income from pooled investments		(8,699)		(8,690)	
Interest on cash deposits		(24)	(8,723)	(17)	(8,707)
Taxes on income					
Income from pooled investments		330	330	437	437
Change in market value of investments					
Realised gains		(9,161)		(2,561)	
Unrealised gains		17,781	8,620	(59,878)	(62,439)
Net returns on investments			**227**		**(70,709)**
Net (increase)/decrease during the year			2,340		(69,883)
Opening net assets of the Fund 1 April			(607,280)		(537,397)
Closing Net Assets of the Fund 31 March			**(604,940)**		**(607,280)**

NET ASSET STATEMENT

	Note	31 March 2016 £000	31 March 2016 £000	31 March 2015 £000
Investment Assets				
Equities				
UK			150	0
Pooled investment Vehicles				
Unit trusts:				
Property		62,665		56,706
Other		98,665	161,330	98,949
Unitised insurance policies			254,538	342,450
Open ended investment companies (OEICS) – other			99,278	102,249
Authorised contractual scheme (ACS)			81,756	0
Cash (Interest Bearing Deposits)			7,937	6,299
Total assets invested	*P12*		**604,989**	**606,653**
Other investment balances				
Investment debtors				
Investment income accrued			185	860
Investment creditors				
Investment settlements outstanding			0	(627)
			605,174	**606,886**
Net Current Assets and Liabilities				
Debtors				
Monthly contributions due from employers		340		574
Monthly contributions due from employees		113		107
Other		182	635	191
Creditors				
Unpaid benefits (lump sum entitlements)		(364)		(65)
Investment management expenses		(130)		(94)
PAYE payable to HMRC		(234)		(224)
Other		(141)	(869)	(95)
			(234)	**394**
Total Net Assets	*P12/P14*		**604,940**	**607,280**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE P1 DESCRIPTION AND OPERATION OF THE FUND

Description of the Fund

The Local Government Pension Scheme (LGPS) is a statutory scheme, and rules in respect of membership and benefits etc. are prescribed under regulation. The Pension Fund ("the Fund") makes benefit payments as required by legislation and collects and invests contributions from members and their employers. The LGPS is a Defined Benefit scheme, in which members of the scheme make a contribution based on a percentage of pensionable salary, and on retirement receive a guaranteed, index-linked pension. Historically, the LGPS has been a "final salary" scheme with benefits based on final pensionable salary and the period of scheme membership. From April 2014, the LGPS became a CARE (Career Average Revalued Earnings) scheme, with benefits accruing after the date being based on average pay received over time. The Fund holds and invests in assets to ensure it has sufficient funding for all future payments to pensioners. This funding is achieved through a combination of employer and employee contributions and investment returns. Full details on the LGPS can be found at the following website: www.lgps.org.uk.

Employers' contributions are reviewed and adjusted (if required) every 3 years by the Fund Actuary in the course of the triennial valuation of the Fund. The valuation estimates Fund assets (current assets, assumed growth and cash flows inwards) and liabilities (assumed future payments to members) to get to an overall funding position. This is then used to calculate the required contributions from employers to achieve a fully funded position. The latest valuation took place as at 31 March 2013 and includes the assumed impact of the change to a CARE scheme.

Responsibilities of the Council to administer the Pension Fund

The London Borough of Richmond upon Thames (also referred to as "the Council") is an administering authority of the LGPS, in the year of account under The Local Government Pension Scheme Regulations 2013 (SI 2013/2356). As such it is required to operate the LGPS on its own behalf and on behalf of other nominated employers (see Note P3). The Fund is a separate entity for accounting purposes and its Fund Account and Net Asset Statement are separate financial statements although they are also presented, but not consolidated, in the Council's Accounts for information because the Council is the administering authority.

The Council, as an employer within the Pension Fund, is responsible for collecting and paying over employee contributions to the Fund. Under the LGPS rules, employee contributions are periodically set by the Government, whereas employer contributions have to be set at a level sufficient to meet the long term obligations of the Fund, as determined by the triennial actuarial valuation. Employer contributions will therefore be set to cover any funding deficit identified by the actuary in the course of this. From the start of 2014/15, the Fund introduced "employer-specific" contributions for the majority of employers, following the individual assessment of employers at the 31 March 2013 valuation. (Prior to this the Fund applied a "common contribution rate" approach.)

During the course of 2015/16 the Council continued to delegate the majority of tasks associated with the day-to-day administration of the Fund (broadly those activities falling with the scope of "dealings with members") to a "shared service" operated by LB Wandsworth, with this arrangement commencing on 1 March 2015. The Council retains all of the statutory responsibilities described above, however, and discharges directly all other duties (including management of investment activity).

The role of the Pension Fund is to collect employees' and employers' contributions from the Council and the other employer bodies, invest surplus funds and make payment of benefits out of the Fund. It is also responsible for making and receiving transfer payments for members joining and leaving the Fund. The Fund's accounts and disclosure notes reflect these responsibilities as opposed to those of the Council.

Governance arrangements for the Fund

The Council's responsibilities for administering the Pension Fund are in most respects delegated to the Pension Fund Committee (although see note on pension boards, below). The Committee's principal business is:

- considering and responding to proposals to amend the design of the LGPS
- determining policy on the admission of external bodies to the Pension Fund
- determining the long term investment strategy of the Fund and keeping this under review at appropriate intervals
- implementing this strategy through deciding on, and keeping under review, appropriate arrangements for investment management, appointing managers and monitoring their performance
- appointing the Fund's Actuary, external investment advisor and any other providers of services to the Pension Fund
- receiving and commenting upon the triennial valuation of the Pension Fund prepared by the actuary
- determining the Pension Fund's communications strategy and policies toward corporate governance and responsible investment
- approving all documents required to be published by the Fund on a statutory basis, including the Pension Fund Annual Report, Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement and Communications Policy Statement
- approving the Pension Fund Accounts, and dealing with all aspects relating to the audit of the Pension Fund, including receiving any reports by the Fund's independent auditor.

The Pension Fund Committee meets at least 4 times each year. The membership of the Committee during 2015/16 was:

Councillor G. Acton (Chairman)
Councillor T. O'Malley (Vice-Chairman)
Councillor G. Curran
Councillor G. Elliot
Councillor G. Evans

In addition to these Councillors, Mr M. Potts was a non-voting attendee of the Committee as staff observer.

The Fund's investment advisor (Mr W. Marshall of Hymans Robertson LLP) also attended Committee meetings to provide professional investment advice. The Fund's independent auditor attended the Committee to present both the audit plan and report on matters arising from the audit of the Pension Fund Accounts.

From 1 April 2015, LGPS funds are required to operate under a revised statutory governance framework set out in The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (SI 2015/57). The principal change effected by the Regulations is that each administering authority is required to constitute a "local pension board" to oversee the operation of the fund's business and, where employed, the effectiveness of the "statutory committee" (described above). The concept of the local pension board is based in the Public Service Pensions Act 2013 and the board must contain representatives of both Fund employers and employees. The Pension Board held 2 meetings in 2015/16, details of which are found at: https://cabnet.richmond.gov.uk/mgCommitteeDetails.aspx?ID=706.

During the course of 2015/16, the LB Richmond and LB Wandsworth jointly announced the intention to seek approval for the "merger" of the 2 authorities' pension funds, in order to facilitate a proposed Shared Staffing Arrangement ("SSA"). Under the current proposal, which is awaiting statutory approval, LB Wandsworth would become the pension provider for both authorities and LB Richmond would cease to be an LGPS administering authority. The proposed fund merger, which is intended to be implemented during the course of 2016/17, would wholly alter the nature and governance of LB Richmond's pension arrangements in subsequent accounting periods.

Investment management arrangements

The Fund has appointed fund managers to undertake its investment management responsibilities. During 2015/16 the Fund employed 2 principal external fund managers with multi-asset mandates (Henderson Global Investors and Legal & General Investment Management Limited), each with over a third of the Fund's total investments, and Schroder Investment Management Limited with whom the Fund holds property unit trusts. The Fund also directly holds units in the Local Authorities Property Fund (LAPF), managed by Local Authorities Mutual Investment Trust (LAMIT). In addition, the Fund holds an investment in the Baillie Gifford & Co Diversified Growth Fund ("DGF") (representing around 15% of the total Fund assets). During 2015/16, the DGF was transferred to the London Collective Investment Vehicle ("the CIV"), which is an FCA-approved investment vehicle initiated and governed by 32 London Boroughs (and which now serves as those authorities' principal "pooling initiative" under the directions issued to LGPS administering authorities issued by CLG in October 2015). The transfer to the CIV, which took place on 15 February 2016, did not impact the value of the investment or the nature of the subsequent investment exposure in any way.

Details of investments under management are provided in Notes P14 to P18.

The Fund has made the following external appointments:

Investment advisors – Hymans Robertson LLP

Performance measurers – The WM Company

Custodians – JP Morgan Chase & Co

The Fund's Independent auditors are Grant Thornton UK LLP.

Other professional advice is provided by Council officers or obtained via shared service arrangements (including one provided by LB Merton in relation to Legal Services).

NOTE P2 PENSION FUND ACCOUNTING POLICIES

Basis of Preparation

The Fund's Accounts are prepared in accordance and in compliance with:

- The Code of Practice on Local Authority Accounting in the UK 2015/16 (The Code), and
- (where relevant) Financial Reports of Pension Schemes; A Statement of Recommended Practice (Revised May 2007) – (The Pensions SORP).

The Pension Fund Accounts are prepared on the basis that they will be incorporated within the Pension Fund Annual Report to be published later in the year, after the accounts have been audited. This report includes more detail on the actuarial valuation, governance arrangements for the Fund and includes the Statement of Investment Principles (SIP).

Accounting Policies

<u>General Policies</u>

The general Accounting Policies are those that have been adopted by the administering authority – the Council of the London Borough of Richmond upon Thames, and these are applied to the Accounts of the Pension Fund where they are applicable.

The Accounts are prepared on an accruals basis with the significant exception that no recognition is made in respect of liabilities to pay pensions and other benefits after the year end. This treatment is prescribed in The Pensions SORP on the basis that future liabilities that are subject to actuarial valuation are best considered in the context of the full actuarial valuation and the consequent funding statement and funding policy. As the future net liabilities are required to be funded by employer contributions, those relating to the Council as a Fund employer are covered in some detail in the Council's Accounts where the full impact of future pension liabilities is disclosed in accordance with IAS 19 (where required by regulatory practice, other Fund employers receive similar analysis for inclusion in their own accounts).

The only other exception to the accruals basis is in respect of transfer values. Transfer payments are made normally when an employee changes employer and moves from one pension scheme to another. Occasionally, following a reorganisation for example, a group of employees may transfer to a different pension scheme. In normal circumstances, the receiving pension scheme will not be liable for any pension benefits in respect of the transferring member until the relevant assets (the transfer value) have been received. Transfer values are therefore accounted for on the basis of when they are paid or received and when the receiving scheme has accepted liability.

Specific Accounting Policies are adopted in relation to investments. These are covered in the following statements.

Valuation of Investments

Investments are recognised at fair value. This is the amount for which an asset could be exchanged, or a liability settled, between unrelated, willing and knowledgeable parties, in an arm's-length transaction, and is generally taken as the appropriate market value at the quoted bid price. These are taken at close of business on 31 March or the last prior trading day for relevant markets.

The Fund's non-cash investments are currently held exclusively in pooled vehicles, which for this purpose include unitised insurance policy-based investments. The vehicles themselves would generally be defined as "unquoted" in that they are not, continuously, "listed on or traded on a recognised investment exchange". With the exception of the property units trusts, however, they generally comprise equity and bond securities that would individually be described as "quoted". Liquidity in the non-property investments is broadly equivalent to that of the underlying securities, with the exception of the insurance policy-based investments which are traded weekly. Further information on the valuation of individual managers' holdings is included in Note P16 below.

Foreign Currency Translation

All non-sterling transactions and valuations are translated using the closing rate of exchange as at the date of valuation.

Overseas income is translated at rates of exchange applicable when remitted.

All gains and losses arising from currency transactions in the purchase of non-sterling investments are shown in the Fund Account as realised gains or losses.

Management Expenses charged by the administering authority

The administrative costs of the Fund are set out in Note P10. The majority of management costs are initially borne by the Council (as the administering authority) and charged to the Fund, where necessary according to appropriate bases such as time spent on work related to the Fund. As described in Note P10, LGPS management costs are the subject of revised guidance issued by CIPFA which is reflected in these accounts. The shared service arrangement entered into with LB Wandsworth (described in Note P1) means that a significant proportion of management costs are incurred indirectly (but still passed to the Fund by the Council).

Liabilities to Pay Pensions and Other Benefits after the Balance Sheet Date

Unlike most financial statements, the Pension Fund's financial statements do not take account of any liabilities in respect of pension and other benefit liabilities due beyond the year of account. This aspect of the Pension Fund's financial position is specifically covered by the actuarial valuation and report by the Fund's actuary in the following notes.

Critical Judgements

The Code requires that the judgements that management have made in applying the Fund's Accounting Policies should be disclosed to assist the understanding of users of the accounts, and aid comparability. The relevant judgements are those that have the most significant effect on amounts recognised in the financial statements. Judgements made in arriving at estimates are excluded.

The Fund's Accounts include estimation of future values but do not include any critical judgements.

Assumptions made about the future and other major sources of estimation and uncertainty

In preparing the Fund Accounts, officers and advisors are required to make assumptions about the future or which 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 Fund's Accounts where there could be significant risk of material adjustment in forthcoming financial year are investment assets. However, the Fund's assets are valued with reference to the published market value of the underlying assets (see Note P20) so there is minimal likelihood of impact here.

The other area of estimation is in the actuarial assessment of the present value of the Fund's assets and liabilities. These are not included in the Net Assets Statement but disclosed in notes to the accounts with the assumptions used.

NOTE P3 MEMBERSHIP OF THE FUND

Although the Council, as administering authority, is the Fund's principal employer, the Fund also includes the employees of certain other bodies. These are either scheduled bodies (required by statute to be members of the Fund), admitted bodies (admitted to the Fund by agreement), or "designated" (otherwise specified as an employer under criteria set out in Schedule 2, Part 2 of the LGPS Regulations 2013).

The scheduled, admitted and designated bodies act as employers in the same way as the Council and all are responsible for making deductions from their employees and paying these and their own employer's contributions to the Fund on a regular basis. The Fund makes pension and other benefit payments directly to Fund members.

Membership details as at 31 March are summarised in the following table:

FUND MEMBERSHIP	31 March 2016 Contributors	Members with Deferred Benefits	Pensioners and Dependents	Total Members	31 March 2015 Total Members
Designated Bodies					
Achieving for Children	377	64	20	461	351
Total Designated Bodies	**377**	**64**	**20**	**461**	**351**
Admitted Bodies					
Association of District Councils *	0	2	19	21	21
Hampton School	31	24	29	84	86
Notting Hill Housing Trust	1	8	11	20	20
St. Mary's College	135	107	115	357	368
SW Middlesex Crematorium Board	10	8	22	40	40
Richmond CAB *	0	0	1	1	1
Housing Organisations Mobility & Exchange Services *	0	6	7	13	13
Richmond Council for Voluntary Service*	0	3	5	8	8
Richmond upon Thames Music Trust	7	0	4	11	11
Christ's Community Management Body *	0	2	0	2	2
Institute of Revenues Rating and Valuation	10	17	8	35	35
Project for Children with Special Needs *	0	2	2	4	4
Museum of Richmond *	0	1	1	2	2
Richmond Housing Partnership	14	22	28	64	65
Twining Enterprises *	0	7	5	12	12
Mears Building Contractors Ltd	1	5	6	12	12
Scout Solutions *	0	15	8	23	23
Veolia (formerly Cleanaway)	28	14	19	61	62
Nviro	3	2	3	8	8
Remploy	1	1	0	2	2
Total Facilities Management #	21	3	3	27	0
Balance Support #	4	0	0	4	0
Lifeways #	8	0	0	8	0
MyTime Active #	1	0	0	1	0
Support for Living #	23	0	0	23	0
Total Admitted Bodies	**298**	**249**	**296**	**843**	**795**
Scheduled Bodies:					
Academies Enterprise Trust	51	9	8	68	61
Learning Schools Trust	84	43	10	137	146
Richmond upon Thames College	148	287	183	618	616
Richmond Adult and Community College	68	161	70	299	298
Grey Court School	47	27	3	77	74
Orleans Park School	50	8	5	63	71
Teddington School	38	25	4	67	78
Waldegrave Trust	84	20	4	108	108
St Mary's Hampton	7	0	0	7	5
Thomson House School	13	1	0	14	18
Turing House #	3	0	0	3	0
Total Scheduled Bodies	**593**	**581**	**287**	**1,461**	**1,475**
The Council	**2,193**	**3,636**	**3,033**	**8,862**	**9,066**
TOTAL MEMBERSHIP	**3,461**	**4,530**	**3,636**	**11,627**	**11,687**

Note: admitted bodies marked * had no contributing members in 2015/16 and paid no contributions to the Fund in that year). Employers marked # commenced during 2015/16 and had no members as at 31 March 2015.

NOTE P4 BASIS OF ACTUARIAL VALUATION

The latest actuarial valuation of the Fund was completed as at 31 March 2013. The actuarial method used to determine the contribution rate required to meet liabilities accruing in the future is known as the Projected Unit Method. The principal financial assumptions adopted in the valuation were as follows:

Investment Return	
Composite	4.6%
Increases in Liabilities	
Salary increases	3.3%
Pension increases	2.5%

The market value of the scheme's assets at the date of valuation in March 2013 is shown in the following table.

ASSET CATEGORY	Valuation as at 31 March 2013 £000	%
UK Equities	147,641	29
UK Fixed Interest Gilts	29,651	6
UK Corporate Bonds	49,265	10
UK Index Linked Gilts	0	0
Overseas Equities	185,764	37
Overseas Bonds	0	0
Property	40,289	8
Alternatives (DGF)	48,355	9
Cash and Net Current Assets	3,089	1
Total Net Assets at Valuation Date	**504,054**	**100**

NOTE 5 ACTUARIAL VALUATION – RESULTS

The results of the last actuarial valuation undertaken as at 31 March 2013 will be summarised in the Actuarial Statement included in the Fund's 2015/16 Annual Report. Employers' contributions are set taking into account the results of the valuation and the Funding Strategy for the Fund, also included in the Annual Report. The key elements in this process are:

Level of Funding

The results of the 31 March 2013 valuation indicated that the actuarial value of the available assets of £504.1m (see table above) were sufficient to cover 83.1% of the accrued liabilities to that date.

Funding Policy

The Council is required to set employers' contributions rates to the Fund such as to ensure that the Fund is sufficient to meet 100% of its liabilities. In accordance with the Funding Strategy, employers' contributions to the Fund are being made up over a period of up to 20 years (depending on the actuarial assessment of each employer), to bring the funding level up to a fully solvent position. Additional contributions have been set on an employer-specific basis to achieve this objective.

NOTE P6 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes.

In order to meet this requirement, the Fund's Actuary has carried out an additional assessment of the Fund as at 31 March 2016, using a valuation methodology that is consistent with IAS19. Although all the financial assumptions used in this exercise have been updated to the reporting date, the principal difference of basis between this and the 2013 triennial "funding valuation" is that the discount rate under IAS19 is based on the 20 year gilt yield plus credit spread (compared to a scheme-specific "risk asset" based rate in the funding valuation). This resulted in a discount rate of 3.6% being used in the IAS19 assessment (compared to 4.6% in the funding valuation).

Other key assumptions employed by the Actuary in the calculation are shown below. The estimated impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £46m.

Note: during 2015/16 the Fund changed actuaries with Barnett Waddingham replacing Hymans Robertson. The following analysis has therefore been produced by Barnett Waddingham but is consistent in prior year terms with that produced by the former Actuary (and utilises some of the latter's methodology, for transitional purposes e.g. in relation to longevity analysis).

Financial

Year ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Inflation [CPI]/Pensions Increase Rate	2.3	2.4
Salary Increase Rate*	3.2	3.3
Discount Rate	3.6	3.2

* Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter.

Longevity

The life expectancy assumption is based on the Fund's VitaCurves [a proprietary name for mortality data held by the Fund's former actuary, Hymans Robertson] with improvements in line with the Continuous Mortality Investigation (CMI) 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

	Males		Females	
	2015/16	2014/15	2015/16	2014/15
Current Pensioners	22.2 years	22.2 years	24.4 years	24.4 years
Future Pensioners*	24.3 years	24.3 years	26.9 years	26.9 years

* Future pensioners are assumed to be currently aged 45.

The assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation Assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2016 (along with a prior-year comparator) was:

Year ended	31 March 2016 £m	31 March 2015 £m
Present Value of Promised Retirement Benefits	787	833

The above figures include both vested and non-vested benefits; although the latter is assumed to have a negligible value [non-vested benefits refer to those relating to scheme membership of less than 2 years where a refund of contributions can be requested].

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The actuary has not made any allowance for unfunded benefits (which are liabilities of employers rather than the Fund).

NOTE P7 CONTRIBUTIONS AND BENEFITS

The following tables analyse contributions and benefits received and paid by the Fund by reference to the different scheme employers:

Contributions

	2015/16			2014/15		
	Employers	Members	Total	Employers	Members	Total
Contributions	£000	£000	£000	£000	£000	£000
Administering Authority (The Council)	12,675	3,160	15,835	12,683	3,170	15,853
Scheduled Bodies	2,811	778	3,589	2,818	772	3,590
Admitted Bodies	2,525	582	3,107	2,288	539	2,827
Designated Bodies	1,472	663	2,135	1,359	609	1,968
Total Contributions	**19,483**	**5,183**	**24,666**	**19,148**	**5,090**	**24,238**

Benefits

Benefits	2015/16 £000	2014/15 £000
Pensions		
Administering Authority (The Council)	16,156	15,789
Scheduled Bodies	951	860
Admitted Bodies	1,810	1,723
Designated Bodies	121	18
Total Benefits	**19,038**	**18,390**
Lump Sum Retirement Benefits		
Administering Authority (The Council)	2,489	2,426
Scheduled Bodies	340	238
Admitted Bodies	594	478
Designated Bodies	340	117
Total Benefits	**3,763**	**3,259**
Lump Sum Death Benefits		
Administering Authority (The Council)	624	594
Scheduled Bodies	0	6
Admitted Bodies	78	112
Total Benefits	**702**	**712**

NOTE P8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

During 2015/16, the Fund paid no bulk transfers and 32 individual transfer values with an aggregate value of £1.941m. In 2014/15, the Fund also paid no bulk transfers, and 28 individual transfer values with an aggregate value of £2.365m were paid. (Note: these sums refer to external transfer to other schemes and do not include any notional transfers occurring between Fund employers.)

NOTE P9 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council is required to offer the facility for Additional Voluntary Contributions (AVCs). These contributions are voluntary and are paid over to the AVC provider for investment on behalf of the members concerned. In accordance with regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), these transactions are not included in the Fund Account or the Net Assets Statement, but details are given in the following table:

	31 March 2016		31 March 2015	
	£000	No. of Members	£000	No. of Members
Value of Investments				
Clerical Medical	1,175	82	1,237	87
Equitable Life	527	83	544	87
Total	**1,702**	**165**	**1,781**	**174**
Contributions received from members in year	**56**		**66**	

NOTE P10 ANALYSIS OF ADMINISTRATION AND GOVERNANCE COSTS

Following the publication of the CIPFA guidance “Accounting for Local Government Pension Scheme Management Costs”, the operating costs of the Fund have been re-categorised according to the 3 headings defined in the guidance. This table analyses the 3 categories: administration (now defined more narrowly as those directly associated with “dealings with members”); “oversight and governance”, which encompasses elements of both investment and administration costs (as previously stated), and investment costs, representing the direct costs attributable to the management of the Fund investments. Note P13 explains that the Fund has incurred no explicit transaction costs (as defined in the guidance). The expenses shown reflect all management fees incurred, whether these are paid directly or deducted from the funds under management. Predominantly, fees are paid on a fixed percentage or “ad valorem” basis, although a performance fee is payable on around 35% of the Fund. In 2015/16, the performance element amounted to around £102k (compared to £8k in 2014/15).

Administration Costs	2015/16 £000	2014/15 £000
Administration and processing	250	250
Communications with Fund members	0	11
Other (including fees received)	(3)	5
Total Administration Costs	**247**	**266**
Oversight and Governance Costs		
Administration and processing	52	52
Actuarial fees	57	81
Audit fees	21	19
Advisor's fees	22	19
Performance Measurement fees	18	18
Other	2	0
Total Oversight and Governance Costs	**172**	**189**
Investment Management Costs		
Investment managers' fees	1,433	1,349
Custodian fees	5	5
Total Investment Management Costs	**1,438**	**1,354**
Total Management Costs in Fund Account	**1,857**	**1,809**

The audit fee payable to the external auditors Grant Thornton is £21k.

NOTE P11 INVESTMENT PRINCIPLES

Local authority pension schemes are required to publish a Statement of Investment Principles (SIP) and to include disclosure of the extent of compliance with the investment principles issued by the Government. The Fund's SIP is included in its Annual Report, published later in 2016, in which the Pension Fund Accounts will be included.

NOTE P12 RECONCILIATION OF MOVEMENT IN INVESTMENTS

The following tables reconcile the movements in the Fund's investment assets in the year

(i) By Manager

Manager	Value as at 1 April 2015 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2016 £000
Baillie Gifford	82,841	78	(78,611)	6,429	(10,737)	0
CIV [Baillie Gifford]	0	78,611	0	0	3,145	81,756
Legal & General	272,628	0	0	0	(3,724)	268,904
Henderson	215,603	15,634	(11,496)	2,732	(8,598)	213,875
Schroders	25,241	952	0	0	1,891	28,084
LAMIT (property)	4,041	0	0	0	242	4,283
London LGPS CIV Ltd	0	150	0	0	0	150
	600,354	**95,425**	**(90,107)**	**9,161**	**(17,781)**	**597,052**
Cash deposits	6,299					7,937
Total Assets Invested	**606,653**					**604,989**
Net Current Assets	627					(49)
Total Net Assets	**607,280**					**604,940**

Manager	Value as at 1 April 2014 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2015 £000
CIV [Baillie Gifford]	76,289	72	0	0	6,480	82,841
Legal & General	240,378	0	0	0	32,250	272,628
Henderson	189,591	12,540	(6,989)	2,561	17,900	215,603
Schroders	21,458	965	0	0	2,818	25,241
LAMIT (property)	3,611	0	0	0	430	4,041
	531,327	**13,577**	**(6,989)**	**2,561**	**59,878**	**600,354**
Cash deposits	4,969					6,299
Total assets invested	**536,296**					**606,653**
Net Current Assets	1,101					627
Total Net Assets	**537,397**					**607,280**

As referred to in Note P1, in 2015/16, the Fund transferred its investment in the Baillie Gifford Diversified Growth Fund to the CIV. The transfer has been treated in the Accounts as a notional disposal (sale/purchase) with profit realised at that point. All other purchase and sale transactions shown above were carried out to re-balance to existing benchmark weightings or to re-investment income. The investment made in 2015/16 shown under "London LGPS CIV Ltd" represents the Fund's equity holding in London LGPS CIV Limited, further details of which are shown in Note P18.

(ii) By Asset Category

Asset Category	Value as at 1 April 2015 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2016 £000
Unit Trusts – Property	56,706	951			5,008	62,665
Unit Trusts – Other	98,949	6,863	(3,895)	1,415	(4,667)	98,665
Unitised Insurance Policies	342,450	78	(78,611)	6,430	(15,809)	254,538
Authorised Contractual Scheme	0	78,611	0	0	3,145	81,756
OEICs	102,249	8,772	(7,601)	1,316	(5,458)	99,278
Equities	0	150				150
	600,354	**95,425**	**(90,107)**	**9,161**	**(17,181)**	**597,052**
Cash deposits	6,299					7,937
Total assets invested	**606,653**					**604,989**
Net Current Assets	627					(49)
Total Net Assets	**607,280**					**604,940**

Asset Category	Value as at 1 April 2014	Purchases	Sale proceeds	Profit on Disposal	Change in Market Value	Value as at 31 March 2015
	£000	£000	£000	£000	£000	£000
Unit Trusts – Property	49,687	965	0	0	6,054	56,706
Unit Trusts – Other	87,682	5,544	(4,871)	2,116	8,478	98,949
Unitised Insurance Policies	305,455	73	0	0	36,922	342,450
OEICs	88,503	6,995	(2,118)	445	8,424	102,249
	531,327	**13,577**	**(6,989)**	**2,561**	**59,878**	**600,354**
Cash deposits	4,969					6,299
Total assets invested	**536,296**					**606,653**
Net Current Assets	1,101					627
Total Net Assets	**537,397**					**607,280**

NOTE P13 INVESTMENT TRANSACTION COSTS

Transaction costs are included in the costs of purchases and sale proceeds and include costs charged directly to the Fund, such as commission, stamp duty and other fees.

With the exception of cash, the Fund is now invested exclusively in pooled vehicles in which there are no direct transaction costs – these being reflected in the bid/offer (or equivalent) prices for units.

NOTE P14 INFORMATION ON ASSETS UNDER MANAGEMENT

The below table is a summary of investment assets under management.

	31 March 2016				
Type of Asset	**CIV [Baillie Gifford] £000**	**L&G £000**	**Schroders £000**	**Henderson £000**	**Total £000**
UK Investments – Listed	81,756	148,990	28,084	119,353	378,183
Overseas Investments – Listed	0	119,914	0	94,522	214,436
Cash	0	0	97	1,815	1,912
Total Under Management	**81,756**	**268,904**	**28,181**	**215,690**	**594,531**
Percentage of funds	14%	45%	5%	36%	100%
Directly held UK investments (LAMIT/London LGPS CIV)					4,433
Cash (interest bearing deposits)					6,025
Other investment balances - debtors and creditors					185
Total Investment Assets					**605,174**
Other Net Current Assets					(234)
Total Net Assets					**604,940**
Analysis of all investments:					
Total UK Investments (includes directly held LAMIT and CIV Operating Co investment)					382,616
Total Overseas Investments					214,436
Cash and deposits					7,937
Other investment balances - debtors and creditors					185
Total invested					**605,174**

Type of Asset	Baillie Gifford £000	L&G £000	Schroders £000	Henderson £000	Total £000
	31 March 2015				
UK Investments – Listed	82,841	149,094	25,241	119,163	376,339
Overseas Investments – Listed	0	123,534	0	96,440	219,974
Cash	0	0	101	776	877
Total Under Management	**82,841**	**272,628**	**25,342**	**216,379**	**597,190**
Percentage of funds	14%	46%	4%	36%	100%
Directly held UK investments (LAMIT)					4,041
Cash (interest bearing deposits)					5,422
Other investment balances – debtors and creditors					233
Total Investment Assets					**606,886**
Other Net Current Assets					394
Total Net Assets					**607,280**
Analysis of all investments					
Total UK Investments (includes directly held LAMIT investment)					380,380
Total Overseas Investments					219,974
Cash and deposits					6,299
Other investment balances – debtors and creditors					233
Total invested					**606,886**

NOTE P15 STATUS OF INVESTMENTS UNDER MANAGEMENT

This note provides details of the investments held by each manager at 31 March. It gives details of each of the pooled vehicles used by each manager and the percentage that each investment represents of the total of Fund. All fund managers are incorporated and registered in the UK with the exception of Henderson, which is incorporated and registered in Jersey.

The types of pooled vehicles are shown by the following abbreviations:

AUT – Authorised Unit Trust
PUT – Property Unit Trust
UUT – Unauthorised Unit Trust
OEIC – Open Ended Investment Company
ACS – Authorised Contractual Scheme

Status of individual investments under management

The four managers with responsibility for the Fund's investments during the relevant period are shown below.

<u>**Henderson Global Investors**</u> **–** Investments are managed by four separate entities and each of these invests in a number of pooled vehicles:

	Value of Assets Under Investment			
	31 March 2016		31 March 2015	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Henderson Investment Funds Limited				
UK Equity Enhanced Trust 'Z' (AUT)	51,745	9%	52,974	9%
Exempt North American Enhanced Equity 'Z' (UUT)	46,920	8%	45,975	8%
	98,665	**17%**	**98,949**	**17%**
Henderson Strategic Investment Funds				
European Enhanced Equity Fund 'Z' (OEIC)	29,757	5%	31,602	5%
Japan Enhanced Equity 'I' (OEIC)	10,350	2%	11,853	2%
Asia Pacific Ex Japan Enhanced Equity Fund 'I' (OEIC)	7,495	1%	7,009	1%
	47,602	**8%**	**50,464**	**8%**
Henderson UK & Europe Funds				
Henderson UK Gilt Fund 'I' (OEIC)	19,516	3%	18,476	3%
Henderson All Stock Credit 'I' (OEIC)	32,160	5%	33,308	6%
	51,676	**8%**	**51,784**	**9%**
Henderson Property Management (Jersey) Limited				
UK Property Fund Units (PUT)	15,932	3%	14,406	2%
	15,932	**3%**	**14,406**	**2%**
Total invested	**213,875**	**36%**	**215,603**	**36%**
Cash	1,815	0%	776	0%
Total all Henderson Funds	**215,690**	**36%**	**216,379**	**36%**

Legal and General – Investments managed by Legal and General Investment Management Ltd. These are held in two unitised insurance policies providing passive management across the benchmark portfolio allocation.

	Value of Assets Under Investment			
	31 March 2016		31 March 2015	
Pooled Investments	£000	% of Fund	£000	% of Fund
Legal and General Assurance (Pensions Management) Limited				
Policy Number 35334-2/000 / 01 (Insurance Policy)	134,452	22%	136,314	22%
Policy Number 35336-7/000 / 01 (Insurance Policy)	134,452	22%	136,314	22%
Total invested	**268,904**	**44%**	**272,628**	**44%**

Schroders – Schroder Investment Management Ltd managed pooled property on an active basis.

	Value of Assets Under Investment			
	31 March 2016		31 March 2015	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Schroder Property Investment Management Limited				
Schroder UK Real Estate Fund (PUT)	28,084	5%	25,241	4%
Total invested	**28,084**	**5%**	**25,241**	**4%**
Cash	97	0%	101	0%
Total all Schroders Funds	**28,181**	**5%**	**25,342**	**4%**

CIV [Baillie Gifford] – Investments comprising a "Diversified Growth Fund" are held via a sub-fund the London Collective Investment Vehicle, who employ Baillie Gifford & Co, to manage the underlying investment vehicle (during 2015/16 and prior to being held by the CIV the underlying fund relinquished its former insurance-based structure without otherwise changing its nature).

	Value of Assets Under Investment			
	31 March 2016		31 March 2015*	
Pooled Investments	**£000**	**% of Fund**	**£000**	**% of Fund**
London LGPS CIV Diversified Growth Fund (Class A Income) (ACS)	81,756	14%	82,841	14%
Total invested	**81,756**	**14%**	**82,841**	**14%**

*Previous year represents Baillie Gifford Life Limited Diversified Growth Fund "P Class" (Insurance Policy).

NOTE P16 VALUATION OF FUNDS UNDER MANAGEMENT

The Code requires investments to be valued at their fair value basis. Where there is an active market for a particular investment, the bid price is usually the appropriate quoted price to represent the fair value of that investment. The following paragraphs describe the valuation basis used. Also noted is a categorisation of the Fund's investments according to the "fair value hierarchy" described in The Code (para 2.10.2.29).

Henderson Global Investors ("HGI") (excluding property) (Level 1)

The equity and bond investments managed by HGI are represented at mid-value less a percentage "liquidation fee" (now termed a "swing rate") issued by the manager, broadly reflecting the "mid-to-bid" margin for the relevant asset class. The closing prices (and "swing rates") issued by HGI are not quoted on any independent pricing services (such as Bloomberg), although mid-day prices for the majority of the HGI pooled vehicles held by the Fund are quoted on such sources.

L&G (excluding property) (Level 1)

Investments with L&G are held via two insurance policies. Under this arrangement, which is the conventional form of UK passive fund management, the surrender value of the policy is directly linked to underlying units in L&G's index-tracking funds, held (and maintained) in proportion to the policy holder's required asset distribution. The policy holder has no title to or direct beneficial ownership of either the units or underlying physical securities, which are the property of L&G. The policy values have been shown in the accounts in accordance with the bid values of the reference units issued by L&G, representing the effective surrender value of the policy. The unit prices are not quoted on any independent pricing services.

Property Investments (including Henderson L&G and Schroders) (Level 2)

All the Fund's unitised property investments are represented at the latest available bid value issued by the funds according to their respective pricing conventions, and these prices are quoted on independent pricing services.

CIV [Baillie Gifford] (Level 2)

The CIV [Baillie Gifford] Diversified Growth Fund is "single priced" reflecting the bid value of the underlying assets. This price is therefore represented as the fair value of the investment. The price issued by the CIV is the same price as that issued by the manager of the fund, Baillie Gifford. The unit prices are not quoted on any independent pricing services.

Summary Classification of Managers' Holdings	31 March 2016 Multi-Asset	31 March 2016 Property	31 March 2015 Multi-Asset	31 March 2015 Property
CIV [Baillie Gifford]	2	N/a	2	N/a
L&G	1	2	1	2
Henderson Global Investors	1	2	1	2
Schroders	N/a	2	N/a	2
Summary Classification of Fund Holdings by Value	**Quoted market price Level 1 £000**	**Using observable inputs Level 2 £000**	**Quoted market price Level 1 £000**	**Using observable inputs Level 2 £000**
Financial Assets				
Financial assets at fair value through P & L	452,480	144,571	460,807	139,547
Loans and receivables	8,757	0	8,031	0
Total Financial Assets	**461,237**	**144,571**	**468,838**	**139,547**
Financial Liabilities				
Financial liabilities at fair value through P & L	0	0	0	0
Financial liabilities at amortised cost	869	0	1,105	0
Total Financial Liabilities	**869**	**0**	**1,105**	**0**
Net Financial Assets	**460,368**	**144,571**	**467,733**	**139,547**

NOTE P17 RESTRICTIONS AFFECTING THE REALISATION OF INVESTMENTS

There were no formal restrictions affecting the ability of the Fund to realise its investments at their carrying value at year-end. However, in common with most, if not all property-related pooled vehicles, it is likely that a delay would arise in the event of the Fund realising its holdings in any of the property investments, if actual disposals were required within the relevant pooled vehicle.

NOTE P18 INFORMATION ON ASSETS DIRECTLY HELD

In addition to funds under the management of fund managers, the Fund directly holds 1,485,701 units in the Local Authorities Property Fund (LAPF). This is a property unit trust to which the trustee is the Local Authorities Mutual Investment Trust (LAMIT), responsible for the appointment of the property manager, CCLA Investment Management Limited. In common with the Fund's other property assets, this investment is regarded as "Level 2" under the Code.

In 2015/16 all participating boroughs in the London Collective Investment Vehicle initiative were required to subscribe to £150k in share capital of the "CIV Operating Company, in order to meet FCA requirements for the Operator to have minimum "Regulatory Capital" proportional to the level of AUM it is responsible for. The Fund therefore holds 150,000 'B' non-voting redeemable shares in London LGPS CIV Limited. This investment represents private / unlisted equity and is potentially redeemable at par value (although for practical purposes the investment is wholly illiquid). It is therefore represented in the accounts at a notional market value of par and is regarded as "Level 2" under the Code.

	31 March 2016 £000	31 March 2016 % of Fund	31 March 2015 £000	31 March 2015 % of Fund
LAMIT Local Authorities Property Fund (PUT)	4,283	1%	4,041	1%
London LGPS CIV Limited	150	0%	0	0%
	4,433	1%	4,041	1%

There were no purchases or sales in LAPF units by the Fund during 2015/16 or 2014/15. The fund assets are valued by surveyors appointed by the trustee managers of the trust and the units are carried in the Balance Sheet at bid price, reflecting their fair value.

There were no restrictions affecting the ability of the Fund to realise its investment in LAPF at its carrying value at year-end, other than the general liquidity issues inherent in holding this asset class.

NOTE P19 FINANCIAL INSTRUMENTS

NOTE P19a CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	Designated as fair value through P/L		Loans and receivables		Financial Liabilities at Amortised Cost	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Financial Assets						
Equities – Unlisted	150	0	0	0	0	0
Unit Trusts – Property	62,665	56,706	0	0	0	0
Unit Trusts – Other	98,665	98,949	0	0	0	0
Unitised Insurance Policies	254,538	342,450	0	0	0	0
Open Ended Investment Companies (OEICS)	99,278	102,249	0	0	0	0
Authorised Contractual Scheme (ACS)	81,756	0	0	0	0	0
Cash	0	0	7,937	6,299	0	0
Debtors	0	0	820	1,732	0	0
Total	**597,052**	**600,354**	**8,757**	**8,031**	**0**	**0**
Financial Liabilities						
Creditors	0	0	0	0	869	1,105
Total	**0**	**0**	**0**	**0**	**869**	**1,105**

NOTE P19b NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The only financial instruments which incurred a gain or loss in year were the Fund's investment assets which are valued at fair value through the Fund Account. This includes both realised and unrealised gains and losses.

	31 March 2016 £000	31 March 2015 £000
Change in fair value recognised in profit and loss	8,620	62,439

NOTE P19c FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

All of the Fund's investments at 31 March 2016 and 31 March 2015 had a carrying value that was identical to the fair value (i.e. where relevant, all investments were "marked to market" on a continuous basis). Changes in market value have been recognised in the Fund Account for the relevant year.

NOTE P19d VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Fund's non-cash investments are made via pooled investments, and the Fund does not directly own any of the underlying assets. The valuation of these instruments is derived from valuation techniques using inputs based significantly on observable market data (e.g. the values of the underlying assets in the pooled vehicle). See note P16 for full details.

NOTE P20 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund invests in three principal asset classes, equities, bonds and property, each of which is held primarily with a view to their long-term return characteristics. In a long-term context, 3 principal categories of investment-related risk are identified:

Benchmark: the risk that the chosen benchmark will give rise to asset value fluctuations that are largely uncorrelated with fluctuations in liabilities

Portfolio: the risk that the Fund performs poorly relative to the chosen benchmark

Operational: the risk of fraud and breaches of regulatory constraints.

In current terminology, benchmark and portfolio risk are collectively referred to as market risk and typically analysed in terms of constituent elements such as price, interest rate and currency risk. Given the nature (and relative simplicity) of the Fund's investment structure, however, it is still considered appropriate to comment in this area principally in terms of benchmark (strategic) risk and portfolio (implementation) risk, whilst acknowledging the constituent elements referred noted above.

The Fund accepts and acknowledges a significant degree of benchmark risk entailed by its 62.5% equity weighting. In determining the Fund's asset allocation, the following considerations were taken into account:

(i) the long-term investment horizon of the Fund

(ii) the lower cost of pension provision associated with anticipated long-term equity returns

(iii) the potential of real assets (such as equities and property) to match the effect of future increases in pension liabilities arising from inflation and pay growth.

It is recognised that in adopting a benchmark in which equities are the dominant asset class, the Fund is exposed to significant volatility, both in the short-term and in terms of longer-term potential outcome. This volatility encompasses both the absolute value of the investment fund and its value relative to the liabilities of the Fund.

From analysis provided by the Fund's independent performance measurers, WM, based on data as at 31 March 2016 it is recognised that Fund's benchmark has an expected annual volatility (exclusive of currency risk) of around 7% (in this context, volatility represents one standard deviation i.e. the range within which approximately two-thirds of annual outcomes will fall. This is not, therefore, the most likely outcome but rather a relative measure of volatility.) In monetary value terms, based on the Fund's market value at 31 March 2016, the expected price volatility represented around £40m. The tables below detail the expected volatility of the fund's investments (by asset class), in % and monetary terms.

Value as at 31 March 2016:

Asset type	Value as at 31 March 2016	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Equities	138,948	10.4%	153,426	124,469
Overseas Equities	214,436	9.8%	235,429	193,443
UK Government Bonds	38,409	6.1%	40,752	36,066
UK Corporate Bonds	60,838	5.99%	64,482	57,194
Cash	7,937	0.0%	7,938	7,936
Property	62,665	1.8%	63,818	61,512
Alternatives (DGF)	81,756	4.5%	85,451	78,060
Total Assets Invested*	604,989	6.7%	645,280	564,696

For comparison, the value as at 31 March 2015 was:

Asset type	Value as at 31 March 2015	Percent-age Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Equities	140,324	10.2%	154,637	126,011
Overseas Equities	219,973	9.2%	240,145	199,802
UK Government Bonds	37,906	6.2%	40,252	35,560
UK Corporate Bonds	62,604	5.8%	66,235	58,973
Cash	6,299	0.0%	6,300	6,299
Property	56,706	2.2%	57,937	55,476
Alternatives (DGF)	82,841	4.0%	86,113	79,568
Total Assets Invested*	606,653	6.4%	645,600	567,706

* The % change for Total Assets includes the impact of correlation across asset classes and is therefore different to the sum of the individual cash variances shown for each asset class.

Portfolio risk is controlled via the adoption of asset allocation ranges and the explicit monitoring of quarterly performance relative to the benchmark return. In “investment style” terms, the Fund seeks to mitigate the potential for variance to benchmark indices by managing the majority of its assets (and all equity investments) on either a fully passive or “enhanced index” basis (the latter targets 75bps index outperformance with an emphasis on low tracking error relative to conventional active management). At 31 March 2016, around 53% of fund assets were managed on a fully passive basis, 13% within “enhanced index” vehicles and 34% (comprising property, cash and approximately half of the Fund’s bond investments) on an “active” basis.

Operational risk is controlled primarily by the audit and compliance functions maintained by the fund managers, supervised by the Council’s Internal Audit and Risk Management section. The Council relies primarily on the annual AAF 01/06 (or SAS 70) reporting framework on fund managers’ internal controls as evidence of their risk management mechanisms, but recognises that this is provided to clients for information purposes only by the reporting auditor.

Liquidity Risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund has a 1% target benchmark allocation to cash and immediate access to all balances held. In the event of it being required, the Fund has overdraft facilities and an ability to borrow funds on a short-term basis from the Administering Authority (subject to the relevant provisions of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009). In general, the Fund's pooled investment assets have good liquidity, based on daily, weekly or monthly dealing. In exceptional market circumstances, liquidations in the Fund's pooled property investments can be suspended (at the managers' discretion), but this is not considered to materially impact the Fund's overall liquidity.

The Fund currently remains cash-flow positive in its regular dealings with members and plans in advance for exceptional funds outflows e.g. bulk transfers. This situation is unlikely to change in the short term. However, it is possible that changes to the structure of the Council (as single largest employer) could impact this position. The Fund's liquidity is reviewed regularly and officers will ensure policies were in place to ensure liquidity if monitoring suggests there is a risk of this position changing.

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (information on the expected volatility of the Fund's fixed interest securities is shown in the table above).

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	**Value as at 31 March 2016**	**Value as at 31 March 2015**
	£000	**£000**
UK Government Bonds	38,409	37,906
UK Corporate Bonds	60,838	62,604
Cash and Cash Equivalents	7,937	6,299
Total	107,184	106,809

Credit Risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for the carrying value of the Fund's financial assets and liabilities. The Fund's benchmark cash allocation is invested under a Treasury Management Policy adopted by the Pension Fund Committee in February 2011 which reflects the Council's own Policy and Strategy (subject to their being a separate maximum £5m counterparty limit for any cash investment.). The Fund's maximum exposure to credit risk as conventionally understood is detailed in the above table. The Fund's investments in corporate bonds are in two pooled vehicles predominantly comprising investment-grade securities. At 31 March 2016, around 97% of the Fund's total corporate bond investments (by value) were at grade BBB or higher. The distribution of the Fund's credit exposure by manager is shown in the tables below.

Credit Rating	**% as at 31 March 2016**	**% as at 31 March 2015**
Henderson Global Investors		
AAA	10.2	11.0
AA	16.1	13.1
A	24.6	28.9
BBB	42.2	41.5
<BBB	3.5	4.1
Other	3.4	1.4
Legal & General		
AAA	19.1	17.7
AA	19.4	17.6
A	29.0	32.7
BBB	32.3	32.0
Other	0.2	0

Other risks: the Fund recognises and accepts currency risk (i.e. additional volatility to base currency) associated with the 34.5% of Fund assets denominated in currencies other than sterling. Additional WM analysis (again based on data as at the reporting date) indicates that the non-sterling element of the portfolio has an expected annual volatility of around 6% (£13m in value terms), or around 2% in terms of the Fund as a whole. The equivalent figures for the previous year were: expected annual volatility of around 6% (£13m in value terms), or around 2% in terms of the Fund as a whole. The largest exposure is to the USD (44% of risk by value) and Euro (26%).

NOTE P21 MATERIAL TRANSACTIONS WITH RELATED PARTIES

The Pension Fund is a separate entity from the Council with its own Fund Account and Net Assets Statement. The following material transactions took place between the Council and the Pension Fund:

	2015/16	2014/15
Income	**£000**	**£000**
Pension Contributions from the Council (employer's contributions)	(12,675)	(12,683)
Pension Contributions from employees (deductions paid over)	(3,160)	(3,170)
Total Income	**15,835**	**(15,853)**
Expenditure		
Indirect support costs provided by the Council	**302**	**302**

Of the above contributions, £42k was re-imbursable to the Fund at 31 March 2016 (based on adjusting some estimated contributions made in-year). In addition, a further £36k in other re-imbursements was due to the Fund.

Additionally, the Council's Director of Finance and Corporate Services, Mark Maidment, acts in the capacity of Treasurer to the South West Middlesex Crematorium Board (SWMCB), one of the Fund's admitted employers. In 2015/16, SWMCB paid over employer's contributions of £67k and employees' contributions of £18k to the Fund.

Of the 5 Councillors who sat on the Pension Fund Committee in 2015/16, none were active members of the LGPS (under the provisions permitting elected members' allowances to be pensionable) during the reporting period; Councillor membership of the LGPS within this authority ceased completely (in May 2014), in accordance with the provisions of section 26 of The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. 2 members of the Committee have a deferred benefit in the LGPS.

Management Remuneration and Pension Scheme Membership

Mark Maidment, Director of Finance and Corporate Services, is employed by the Council as administering authority to the Fund and performs a similar management function for both the Council and the Fund, attending the Pension Fund Committee and exercising the most senior level of control delegated by that body. He is included within the scope of Note 33 in the Council's main Statement of Accounts covering Officers' Remuneration. It is not possible accurately to apportion the element of that remuneration that relates to Pension Fund duties carried out. All senior Council officers involved in the management of the Pension Fund are members of the LGPS.

NOTE P22 CONTINGENT ASSETS AND LIABILITIES

Apart from future pension and benefit liabilities, the Pension Fund had no contingent assets or liabilities as at 31 March 2016.

NOTE P23 EVENTS AFTER THE REPORTING DATE

The value of the Fund's investment assets has increased by £52.1m (8.6%) from 31 March to 31 July 2016, principally due to increased equity valuations (and the sterling value of overseas holdings).

The DCLG consultation on Regulations designed to effect the merger of the Pension Funds of the London Boroughs of Richmond and Wandsworth (referred to in Note 1, above) was issued in the week commencing 1 August 2016.

The accounts for the Pension Fund are authorised for issue on the date that the Statement of Responsibilities for these accounts was signed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF RICHMOND UPON THAMES

We have audited the financial statements of the London Borough of Richmond upon Thames (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Authority Movement in Reserves Statements, the Group and Authority Comprehensive Income and Expenditure Statements, the Group and Authority Balance Sheets, the Group and Authority Cash Flow Statements, the Collection Fund Accounts, the related notes and the Technical Annexe. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members 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 Authority and the Authority'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 and Corporate Services and auditor

As explained more fully in the Statement of the Responsibilities of the Director of Finance and Corporate Services, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law 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 Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or ·
- exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority 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 Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.
We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Paul Grady
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
London
NW1 2EP

29 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF RICHMOND UPON THAMES - CERTIFICATE

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2016 issued on 29 September 2016 we reported that, in our opinion, the financial statements:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2016 issued on 29 September 2016 we reported that, in our opinion the pension fund's financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition at that date of the fund's assets and liabilities, and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

In our audit report for the year ended 31 March 2016 issued on 29 September 2016 we reported that, in our opinion, in all significant respects, the Authority had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ending 31 March 2016.

Certificate

In our report dated 29 September 2016, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF RICHMOND UPON THAMES – PENSION FUND

We have audited the pension fund financial statements of London Borough of Richmond upon Thames (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members 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 Authority and the Authority'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 and Corporate Services and auditor

As explained more fully in the Statement of the Director of Finance and Corporate Services Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law 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 pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and Annual Governance Statement to identify material inconsistencies with the audited pension fund 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 the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited pension fund financial statements.

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
London NW1 2EP

29 September 2016

ANNUAL GOVERNANCE STATEMENT

Proper Practice

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires authorities to "*conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement*."

Scope of responsibility

Richmond Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Richmond Council also has a duty under the Local Government Act 2000 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, Richmond 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.

Richmond Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework -Delivering Good Governance in local government.

This statement explains how the authority has complied with this code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost effective services.

The system of internal control is a significant part of the 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 Richmond Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Richmond Council for the year ending 31 March 2016 and up to the date of the approval of the annual governance statement and statement of accounts.

<u>The governance framework</u>

Richmond Council has adopted a Code of Corporate Governance in accordance with the CIPFA/SOLACE recommended best practice guidance. A revised code of practice was considered and agreed by Cabinet and Standards Committee, before being adopted by full Council in April 2008. This is based on the 6 key values that good governance means:

a) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The 2013 – 2018 Community Plan was in place during 2015-16. This has recently been updated to the Community Plan 2016-20 "Putting People First" (published May 2016).It describes how we will work in partnership with the local community to inform them on everything we do and put people first. The main themes are the involvement and engagement of local residents and businesses; tackling inequality and creating opportunity for children and young people; and working to create a safe, healthy and green borough. The Richmond Partnership brings together the public, private and voluntary and community sectors to improve the quality of life for all those who live work or visit the borough, and has continued to provide strong leadership of all the partners in the borough.

2 key partnerships are the Health and Well Being Board and the Community Safety Partnership, both of which have formal governance arrangements in place, regular meetings, key targets and deliverable outcomes established and regularly monitored.

The Council publishes an annual Corporate Plan which sets out how it will deliver against the Community Plan, including its own specific key service priorities and objectives. The Council's corporate priorities are identified through discussions between officers and elected Members and an understanding of the Council's financial position. The 2015/16 Corporate Plan (which covers the 2015/16 period relating to this AGS) was approved by Cabinet and published July 2015. A new Corporate Plan was published on the 1 April 2016 which will be subject to an annual refresh process each year until 2019 which will highlight progress as well as any new or emerging priorities and the programmes that will deliver them.

The Council has put in place arrangements for an annual survey of residents asking a number of questions about their priorities and views on Council services and budget setting. The fourth survey took place between 9 November to 4 December 2015 and results were used to inform the annual budget setting process and the development of the draft 2016-19 Corporate Plan.

Using the results of previous surveys, the Council developed 14 Village Plans that describe the vision for each village area and identified what the Council and local people could do to achieve the vision together. The survey showed that residents had a desire to shape the planning policy for their local area, so in November 2013, the Council started a process whereby residents were given the opportunity to shape the planning framework at their local level. This will allow them to have a say in the look and character of local developments. In planning terms, this type of document is called a Supplementary Planning Document (SPD), and it can be taken into account in making planning decisions. Phase 2 of the programme continues with consultations taking place in Hampton and Hampton Hill.

The Community Links Programme supports Village Planning activity, and promotes the work of the Council, community groups, external service providers, local businesses and residents across the borough. It also provides opportunities for people to get more involved with their communities.

In terms of communication with stakeholders and accountability, the Council complies with statutory obligations and good practice and publishes a Forward Plan of Key Decisions to be taken by Cabinet. Quarterly reports of performance of delivery against corporate priorities are also published and the Medium Term Financial Strategy details both revenue and capital budgets and forward plans.

The development of the Shared Staffing Agreement (SSA) with LB Wandsworth and the development of shared services has been a significant focus for key members of staff during the past 12 months and it will continue to be a focus in the coming years.

b) Members and officers working together to achieve a common purpose with clearly defined functions and roles

The roles of Members and officers are clearly defined in the Council's Constitution which is kept under regular review and updated accordingly. The Constitution also contains an agreed Scheme of Delegation to Members and officers, and sets out decision making processes. It also includes regulatory procedures e.g. Contract Standing Orders, and Financial Regulations. The Constitution relating to this 2015/16 Annual Governance Statement was agreed by Council on 28 January 2015. The current version of the Constitution was issued on the 20 April 2016 and is published on the Council's website.

Contract Standing Orders were reviewed and updated during 2011/12 (agreed by Cabinet in October 2011) to align with the new commissioning role and new procurement processes and delegations. Financial Regulations were revised during 2012, and these, together with a further update to Contract Standing Orders were approved by Council in November 2012. Changes were also approved to the Scheme of Delegation within the Council's Constitution to enable the new regulations to be appropriately applied.

The Council has a Chief Executive responsible for overall strategic and operational management, a S151 officer responsible for financial control and a Monitoring Officer responsible for ensuring that agreed procedures and regulations are followed, or if not, are reported publicly. Roles and responsibilities of all senior managers are clearly defined in job profiles. As the organisation undergoes significant organisational change, it will be essential that these job profiles accurately reflect roles and responsibilities, particularly in relation to the governance of shared staffing arrangements and changes are likely to be required.

There is a Performance Management Framework which translates priorities and objectives from the Corporate Plans into performance targets for members of staff.

There are quarterly reports to Cabinet Members on budget and performance. These reports also identify progress on key projects and programmes. An officer level Corporate Programme Board has oversight of all major programmes to ensure that delivery is on track and in line with the Council's priorities. A Member Information Pack was introduced in 2014/15 and is sent to all members on a quarterly basis. This provides summary information on a range of corporate functions including performance management, procurement, consultation, complaints and policy.

c) promoting high values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour

There are Members' and Officers Codes of Conduct, and a Members Planning Protocol all of which are kept under regular review and are supplemented by guidance.

Further to the Localism Act 2011 the Council adopted a new code of conduct for councillors in September 2012 and revised its member complaints process. An Investigating and Disciplinary Committee is in place but no meetings have been required during 2015/16. All members review and revise their register of interests to comply with the code of conduct and these are published on the Council's web site.

For officers, an online system for recording any interests, and also receipt of goods and hospitality, is in place. With the move towards being a commissioning council and increased involvement of third parties, and also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflict of interests.

A staff appraisal system is in place to support the ongoing assessment of staff performance and development. A staff survey was opened in May 2015 and closed on the 19th June 2015. The survey results were collated by an external agency so that staff anonymity and confidentiality was ensured and allowed actions to be taken on any issues raised by staff.

d) **taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

All Committee meeting agendas and minutes are published on the Council's website, including Members' Decisions. A programme of meetings is published when agreed by Council. There are three Scrutiny Committees, the main Scrutiny Committee, the Health Scrutiny Committee and the Call-In Sub-Committee. The new arrangements are supported by a group of Lead Scrutiny Members and an increased number of Scrutiny Panels, which work more flexibly and informally than Committees and are set up to examine specific issues in detail. Any member of the Council who is not a Cabinet Member can be on a Scrutiny Panel.

3 panels have been commissioned by the Scrutiny Committee in 2015/16 to examine specific issues. These were;

- Council Tax Reduction Scheme
- Corporate Plan and Budget
- Shared Staffing Arrangement.

Councillor Call for Action (CCfA) allows any councillor to refer matters of concern within the community to the Scrutiny Committee. The aim of this measure is to provide councillors with additional powers that enable them to respond to local community concerns which have proved difficult to resolve. CCfA emphasises the role of ward councillors as 'community champions'.

All reports to Cabinet must include a risk assessment and are subject to financial and legal scrutiny prior to decision making. Decision making reports also include policy and equality implications and an Environmental Statement Section which predicts and evaluates the likely significant environmental impacts of proposals.

The Council operates an Audit Committee in accordance with CIPFA recommended best practice and this committee has overall responsibility for ensuring controls are adequate and working effectively. The Audit Committee membership includes an independent member. It is also responsible for ensuring the Council's risk management processes are working effectively. The Council has an Anti-Fraud and Corruption Framework and operates a Whistle Blowing Policy. These policies were revised and endorsed by Audit Committee in February 2016. All documents are available on the Council's public website.

e) developing the capacity and capability of members and officers to be effective

There are both Members' and officers induction and ongoing training programmes, with full records of Members' past and future training and development.

A programme of officer training is in place and the Evolve system is available for online training.

f) engaging with local people and other stakeholders to ensure robust public accountability

Involvement and engagement was one of the key themes of the 2013 – 2018 Community Plan which was in place during 2015-16. The Community Plan 2016-20 (published May 2016) is now in place and describes how we will work in partnership with the local community to inform them on everything we do and put people first. The Council has a clear commitment to listening to and being responsive to its residents and service users and this is reflected in the Corporate Plan priorities. The Council carries out a wide range of consultations with the public and other stakeholders on a range of issues including the quality of services provided, on budgets and on new proposals. The Community Roads and Pavements Fund involve local residents in decision-making on how budgets are spent. A number of ways are used to encourage the community to engage, contribute and participate, including providing specialist facilities for individuals where required, such as interpreters and providing crèche facilities for individuals with young children.

The Council is committed to transparency as an aid to promoting accountability and seeks to proactively provide information and engage with the public to understand the information they want in addition to providing information required by central Government.

The Council measures key indicators such as the extent to which residents think it takes account of their views when making decisions through the annual Residents Survey.

Corporate Governance review

A review against the Corporate Governance Code of Practice is carried out annually by the Head of Internal Audit to ensure compliance with the standards is maintained and the results are reported as part of the assurance framework process. This year's review has confirmed substantial compliance continued throughout 2015/16. Areas identified where action is required are:

- Section 1b, 3e and 6f of the Corporate Governance Code of Practice need to be refreshed to delete references to the LAA and the Standards Committee respectively

- Directors and Heads of Service need to check on a periodic basis that declarations of interest are completed by all staff, including agency and interim staff. Where staff has previously declared an interest this should be followed up to establish whether it is still relevant in subsequent years.

Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government

An assessment by the Head of the South West London Audit Partnership (SWALP) has been carried out against the 5 principles within this Statement and all required standards have been assessed as being met.

Compliance with CIPFA Statement on the Role of the Head of Internal Audit in Local Government.

A self-assessment of the 5 principles set out in the CIPFA statement has been undertaken by the Head of the SWLAP. This confirmed all required standards have been assessed as being met.

Compliance with the CIPFA Public Sector Internal Audit Standards (PSIAS)

A self-assessment has been carried out against the PSIAS. In summary, the self-assessment has demonstrated substantial compliance with the standards – 99.7% met or partially met.

Review of effectiveness

Richmond 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 the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of the SWLAP annual report, and also comments made by the external auditors and other review agencies and inspectorates.

In carrying out this review of effectiveness, the following have been taken into account:

- Audit Committee reports (internal controls and risk management processes)
- Scrutiny Committee reports
- Reports of External Audit
- External Inspection reports
- Council's Risk Management and Assurance Framework processes
- Assurances from key partners
- Joint Heads of Internal Audit Annual report.

Significant governance issues

Whilst there are **no areas of significant weakness**, the Council is not complacent and recognises the ongoing need for robust governance arrangements, particularly during this period of transformation and financial constraint.

Corporate areas identified through the Assurance Framework process as needing continued management focus and improvement are:

- Ensuring continuity of service until full implementation of the Shared Staffing Arrangement (SSA) with LB Council
- Information Governance, Data Security and completion of Declarations of Interest
- Financial Control and Governance relating to the increased demand for statutory children's social care and special educational needs services
- Business Continuity and Emergency Planning.

Where the Assurance Framework process has identified directorate specific gaps in the existing controls, including those identified in the Directors Control Assurance Statements (Appendix B), these will be recorded together with the management action plan and monitored to ensure controls are in place by the agreed implementation date.

In addition, as identified in the Head of the South West London Audit Partnership Annual Report for 2015/16, there are some areas where controls need to be improved to ensure risks are mitigated to an acceptable level. Officers have agreed action plans in each of these areas.

Signed:

Councillor Lord True
Chairman
Statutory Accounts Committee
15th September 2016

Chief Executive
Gillian Norton
29th September 2016

TECHNICAL ANNEXE

1. ACCOUNTING POLICIES

General principles

Basis of preparation - accounting practices

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its year-end position at 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices comprise the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code)
- Service Reporting Code of Practice 2015/16 (SERCOP)
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC)
- Relevant statutory guidance issued by Government

Pension Fund Accounts

The Council is an administering authority for the Local Government Pension Scheme (the LGPS). It maintains a local retirement benefit plan (called the Pension Fund), under the statutory provisions of the LGPS, that includes a number of employer organisations in addition to the Council. The Pension Fund is a separate entity to the Council and is required under the LGPS regulations to prepare and publish an Annual Report that includes the Pension Fund Accounts. These Pension Fund Accounts are also required to be included within the Council's Accounts.

The Pension Fund Accounts are prepared in accordance with the same proper accounting practices as the Council's accounts. The accounting policies adopted by the Council, generally apply to the Pension Fund Accounts, (where appropriate) but with some minor differences as set out in the Pension Fund Accounting Policies (in the Pension Fund Accounts).

Changes in Accounting Policies and prior year adjustments

Prior year adjustments arise either as a result of a change in Accounting Policies or to correct a material error. Changes in accounting estimates are accounted for in the current financial year and future years affected by the change, and do not result in a prior year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and economic 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. These restatements are also clearly marked in the Statement of Accounts.

Exceptional Items

Exceptional items are those which are separately identified by virtue of their size or incidence to enable a full understanding of the Council's financial performance. The nature and amount of these items is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are.

Items Re-classifiable to the Cost of Services

There are items in the Comprehensive Income and Expenditure Statement that are re-classifiable to the Cost of Services from Other Comprehensive Income and Expenditure when certain conditions are met.

These will be disclosed separately on the face of the Comprehensive Income and Expenditure Statement if they occur. At present the Council has no such transactions.

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:

Income

- 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.

Expenditure

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption (and the values are material) 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

- 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.

Debtor and creditor balances (accruals policy)

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled (i.e. collection is doubtful), the balance of debtors is written down impairment) and a charge made to revenue for the income that might not be collected.

Exceptions to this accruals policy are made where it would be impractical in terms of time and cost required and where the effect of not accruing has no material effect on the Council's Accounts.

Utility payments

Accruals are made for outstanding invoices (for example fourth quarter not paid by 31 March) but no accruals are calculated for consumption of utilities that have not been billed at 31 March. This departure from the Code is made on the basis that taking one year with another the effect of this treatment on the accounts is negligible and does not justify the additional time and cost necessary to accurately estimate consumption figures for the numerous cost centres affected.

Income from Penalty Charge Notices (PCNs)

Income received from PCNs does not directly relate to the full recorded value of notices issued due to the incidence of discount for prompt payment, disputed notices and other mitigating circumstances. As a consequence income is recognised on cash basis. The effect of this treatment, taking 1 year with another is estimated to be not material.

De Minimis levels

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year-end in order to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and is currently set at £10,000. There has been no change in this level since last year.

Exceptions to this de minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from Government grant or other third parties is dependent
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £10,000.

Inventories

The Council recognises all inventories (stock) that have a value over £10,000 as at 31 March. The Council initially recognises inventory when it has control of it and when it expects to have a right to the future economic benefits/service potential. All inventories are measured at the lower of cost or net realisable value. Where there are large numbers of items of inventory that are ordinarily interchangeable, the Council uses either first-in, first-out (FIFO) or the weighted average cost method of stock measurement.

Trading Accounts

Where services make charges that are based on a pre-determined charge basis (for example a fixed schedule of rates for specified works) with a view to fully recovering costs during the year, they are treated as trading operations as defined by the SERCOP. Any surplus or deficit at the year-end is charged back to the relevant services in order to report total cost of services. The gross income and expenditure on the Trading Accounts is reported under Financing and Investment Income and Expenditure in the Consolidated Income and Expenditure Statement.

Long term non-monetary assets

The following categories of non-monetary long term assets are recognised in the accounts where their value on initial recognition or subsequent upward revaluation exceeds de minimis levels set by the Council. Expenditure that falls below these levels is charged as revenue to the relevant service line in Cost of Services in the Comprehensive Income and Expenditure Statement. These de minimis levels are periodically reviewed and applied to avoid administrative effort and cost in recording and accounting for long term assets where their value is not material. The current de minimis levels for recognising these assets are:

- Land and Buildings – £50,000
- Vehicles, Plant and Equipment – £10,000
- Intangible Assets – £10,000

These de minimis levels are not applied where assets are financed by grants or contributions that are below these levels but are required to be applied to capital expenditure.

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 licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of the Council website is not capitalised as this is primarily used to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the 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 line(s) in the Comprehensive Income and Expenditure Statement. When there is an event which may cause impairment, assets are tested for impairment – any losses recognised are posted to the relevant service line(s) 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. 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 (CAA) and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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 CAA and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Heritage Assets

The Council is required to report on and separately identify Heritage Assets on its Balance Sheet. Heritage Assets can be tangible or intangible and are defined as assets with historical, cultural, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Recognition

The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. If the cost of obtaining a valuation is assessed as being disproportionate to the benefit of the user the existence of the asset will be disclosed in the notes to the accounts along with relevant information. The de minimis levels applied to all Non-Current Assets will be applied to this asset class. Heritage Assets that do not meet the de minimis criteria are not disclosed in the Council's Accounts.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment rather than as a Heritage Asset.

Measurement

Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment if they meet the definition of this asset class. Where they do not fall into this category they will be valued in line with the Insurance valuation. All Heritage Assets will be revalued no less frequently than every 5 years. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's policies on impairment (please see section on Property Plant and Equipment). Heritage Assets with an indefinite life will not be subject to annual depreciation.

The proceeds on the disposal of Heritage Assets are accounted for in accordance with the Authority's policies relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, 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 cost of assets acquired other than by purchase is deemed to be 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- infrastructure, community assets and assets under construction – depreciated historical cost
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair 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 fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

For non-property assets that 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 not less frequently than every 5 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 as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the 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 into 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 as follows:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 (e.g. freehold land and certain Community Assets) and assets that are not yet available for use (e.g. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment –straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose useful life and/or depreciation method is significantly different from that of the main asset, the component is recognised and depreciated separately. The carrying amount of the old (or replaced) component is derecognised. An item of Property, Plant and Equipment is not considered for component accounting where its carrying value is less than £500,000 or their remaining useful life is less than 10 years.

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 previous 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (known as Minimum Revenue Provision (MRP)) equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation, impairment losses and amortisations are therefore replaced by MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 are readily convertible to known amounts of cash with insignificant risk of change in value (this will exclude fixed term deposits as they are not highly liquid and not readily convertible to cash).

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.

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 can be members of 3 separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The National Health Service Pension Scheme, administered by the Department of Health (DoH)
- The Local Government Pensions Scheme, administered by the Council (London Borough of Richmond upon Thames - LBRuT).

All schemes provide defined benefits to members, earned as employees who have worked for the Council.

However, the arrangements for the teachers' and NHS 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 Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and Public Health is charged with NHS 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 LBRuT Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on 20 year gilts adjusted for credit spread).
- The assets of LBRuT Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

    - Service cost, comprising:

- current service cost – the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period. – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan). – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan – 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) - 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

➢ Re-measurements of the net defined benefit liability (asset) comprising:
  - actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - 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

➢ Contributions paid to the LBRuT Pension Fund – cash paid as employer's and employee's contributions to the pension fund in settlement of liabilities.

➢ Benefits Paid – payments to discharge liabilities directly to pensioners – a charge to the Pension Fund, reimbursed from the Council where there are unfunded discretionary benefits.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

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. 2 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 (an adjusting event).
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect (a non-adjusting event).

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

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 2 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 in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the 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 price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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 Financing 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 de-recognition 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).

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.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants, 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 Statement until conditions attached to the grant or contribution has 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/receipts in advance. 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.

Grants that cannot be directly allocated to a service area are credited to Taxation and Non-Specific Grant Income.

Group relationships - Interests in Companies and Other Entities

Where the Council assess that its relationship with another entity is classified as a Subsidiary, Associate, or Joint Venture it will present its accounts to reflect these interests as follows:

Subsidiary – An entity will be a subsidiary where the Council controls it. This control is determined by power over the entity, exposure or rights to returns from the entity, and the ability to affect the amount of those returns. Where material, the Council will consolidate the accounts of this entity into its own accounts on a line by line basis. 100% of all transactions and balances will be consolidated into the Council's Accounts and the Council will present both single entity and consolidated Group Accounts.

Associate – An entity will be an associate where the Council assesses that it has significant influence over the operations of another entity. Where this is the case the interest will be represented in the Council's Accounts using the equity method. The original investment will be adjusted for the current share of the net assets and the relevant share of profit or loss will be recognised in the Comprehensive Income and Expenditure Account.

Joint Entities – If the Council enters into an agreement whereby there is joint control over another entity it will, where material, consolidate this interest using the proportionate line by line method. This entails consolidating the other entity's Accounts with the Council's Accounts in line with the proportion of control that is held.

Long Term Contracts

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.

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.

In recognising finance leases, the Council applies the same de minimis levels that it uses to recognise its own assets, as set out in the policy for Long Term Non Monetary 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 (Minimum Revenue Provision (MRP)) 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.

Overheads and Support Costs

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 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 multifunctional, 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 2 cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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 4 elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge 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).

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.

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.

Redundancy Costs

The Council provides for redundancy costs when it can no longer withdraw the offer of those benefits. If a notification of redundancy has been issued before 31 March but the amount has not yet been paid, a liability is recognised in the accounts.

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 within 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.

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.

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.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a planning charge available to local authorities in England and Wales which was introduced by the Planning Act 2008 and came into force on 6 April 2010. The Council collected a CIL on behalf of the Greater London Authority since 2013. CIL collected on behalf of other bodies is treated as an agency transaction and as such only the net cost of administration will be reported in the Council's accounts. The actual amount collected and paid over will not be reported as income and expenditure of the Council but will instead be reported as part of the levying body's accounts. The Council now collects CIL from 2014/15. This includes a revenue element used in year to fund costs of administration and a capital element held in a capital reserve.

Accounting for schools

Revenue Income and Expenditure

The Council includes all revenue income/expenditure and resulting assets/liabilities (e.g. debtors, creditors, reserves etc.) arising from maintained schools as part of its Statement of Accounts. Revenue income and expenditure incurred by Academies and voluntary aided (VA) schools are not consolidated into the Council's Accounts.

Capital

The Council currently holds all local authority maintained schools on the Balance Sheet. This includes Academy buildings on an operating lease, which will be kept on the Council's Balance Sheet until finance lease arrangements are signed upon completion of building works at the respective schools. The Council does not currently have a policy of holding VA schools on its Balance Sheet. Capital expenditure on schools not on the Council's Balance Sheet such as VA schools goes through Revenue Expenditure Funded by Capital under Statue (REFCUS). REFCUS refers to any expenditure that should be treated as capital but where the council does not own the asset. This expenditure is reported through the Comprehensive Income and Expenditure Statement.

2. ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced a number of changes in accounting policies which will need to be adopted fully by the Council in the 2016/17 financial statements.

The Council is required to disclose information relating to the expected impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council. As is set out above, full adoption of the standard will be required for the 2016/17 financial statements. However, the Council is required to make disclosure of the estimated impact of the new standards in these (2015/16) financial statements.

For 2015/16 financial statements all amendments are minor and have no impact, except on Transport Infrastructure Assets which is detailed below.

The Code of Practice on Transport Infrastructure Assets (the Transport Code) takes effect from 1 April 2016. Transport Infrastructure Assets include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Currently, local authorities record the value of their Transport Infrastructure Assets at historical cost. The Code considers that current value is a more appropriate measurement base; therefore from 1st April 2016 Transport Infrastructure Assets will be measured on a depreciated replacement cost basis.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This will result in a revaluation gain due to the change from historic cost to depreciated replacement cost basis. The new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

If the changes were to be implemented in 2015/16, the value of Transport Infrastructure Assets would (estimated) increase from £0.1bn to circa £3.2bn.

The Code confirms that there is no requirement to restate opening balances as at 1 April 2015 (and preceding years), for any changes arising from the Transport Code. 2015/16 will act as a preparatory year to build up the information for full adoption by 1 April 2016.

3. UNUSABLE RESERVES

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

	2015/16		2014/15
	£000	£000	£000
Balance at 1 April	**(119,839)**		**(69,690)**
Upward revaluation of assets	(17,862)		(58,823)
Downward revaluation of assets and impairment losses not charged to the SDPS*	5,096		6,034
(Surplus) or deficit on revaluation of non-current assets not posted to the SDPS*		(12,766)	(52,789)
Difference between fair value depreciation and historical cost depreciation	2,542		2,550
Accumulated gains on assets sold or scrapped	483		90
Amount written off to the Capital Adjustment Account		3,025	2,640
Balance at 31 March		**(129,580)**	**(119,839)**

*SDPS = (surplus)/deficit on the Provision of Services

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 Council 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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	**(9,660)**	**(4,091)**
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(3,944)	(5,604)
Transfer to the Capital Receipts Reserve upon receipt of cash	8	35
Balance at 31 March	**(13,596)**	**(9,660)**

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, depreciation, impairment losses and amortisations. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains accumulated gains and losses on Investment Properties and Property, Plant and Equipment (revalued before 1 April 2007). Note 12 provides detail of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance at 1st April		**(594,360)**		**(602,560)**
Reversal of items relating to capital expenditure debited or credited to the CI&ES				
Charges for depreciation and impairment of non-current assets	15,818		23,882	
Revaluation losses on Property, Plant and Equipment	9,623		7,862	
Amortisation of intangible assets	73		73	
Revenue expenditure funded from capital under statute	9,764		14,449	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	3,336		364	
		38,614		46,630
Adjusting amounts written out of the Revaluation Reserve		(3,025)		(2,550)
Net written out amount of the costs of non-current assets consumed in the year		35,589		44,080
Capital financing applied in the year				
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,039)		(5,314)	
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(14,630)		(19,034)	
Application of grants to capital financing from the Capital Grants Unapplied Account	(988)		(469)	
Statutory provision for the financing of capital investment charged against the General Fund	(3,805)		(2,766)	
Capital expenditure charged against the General Fund	(5,723)		(8,107)	
		(26,185)		(35,690)
Movements in the market value of Investment Properties debited or credited to the CI&ES		(6,768)		(190)
Balance at 31 March		**(591,724)**		**(594,360)**

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 Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council’s case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 8 years.

	2015/16 £000	2014/15 £000
Balance at 1 April	**903**	**1,011**
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(108)	(108)
Balance at 31 March	**795**	**903**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2015/16 £000	2014/15 £000
Balance at 1 April	(1,044)	(1,848)
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	(1,151)	804
Balance at 31 March	**(2,195)**	**(1,044)**

Accumulated Absences Account

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

	2015/16		2014/15
	£000	£000	£000
Balance at 1 April		**1,844**	**2,287**
Settlement or cancellation of accrual made at the end of preceding year	(1,844)		(2,287)
Amounts accrued at the end of the current year	1,850		1,844
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		4	(443)
Balance at 31 March		**1,848**	**1,844**

Deferred Lease Payment Account

The Deferred Lease Payment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for lease payments to and from the Council in respect of operating leases. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2015/16 £000	2014/15 £000
Balance at 1 April	**3,115**	**3,143**
Lease signed during the year	0	0
Write down of deferred leases signed in prior years	(28)	(28)
Balance at 31 March	**3,087**	**3,115**

Pensions Reserve

The Pensions Reserve absorbs the financial impact of timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council 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 Council 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 Council 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.

	2015/16 £000	2014/15 £000
Balance at 1 April	**191,256**	**156,258**
Actuarial gains/losses on pensions assets and liabilities	(58,288)	74,720
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the CI&ES	36,449	(25,428)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,212)	(14,294)
Balance at 31 March	**155,205**	**191,256**

4. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

- **credit risk –** the possibility that other parties might fail to pay amounts due
- **liquidity risk –** the possibility that the Council might not have funds available to meet its commitments to make payments
- **market risk –** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management for treasury instruments is carried out under policies approved by the Council in the annual treasury management strategy and policy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. In respect of investment assets, the Council's investment strategy:

- sets out clear procedures for determining the type of asset class to be used
- restricts investments to those denominated in sterling to avoid any exchange rate risk
- prescribes maximum periods for investments in each asset class
- prescribes financial limits to be invested in each asset class
- limits the amount to be invested over 12 months to 40% of the investment portfolio.

For Investments and Loans Receivable:

The Council's investment objectives are to achieve security and liquidity of investments and obtain the optimum return commensurate with the prior objectives. Overall levels of investment are governed by cash flow, and cash flow projections are used to determine the duration of investments made to ensure sufficient liquidity. Liquidity is further enhanced by the use of "instant access" deposit accounts, and as a last resort the Public Works and Loans Board (PWLB) would offer short term loans to cover any cash flow deficit. There was no requirement to use PWLB borrowing in this way during 2014/15 or 2015/16. Short term cash flow borrowing was taken from other local authorities during 2015/16.

In respect of the security of its investment assets, the Council's policy uses credit ratings published by major international credit rating agencies to measure the credit quality and risk of each counterparty with which it invests. Credit ratings are continuously monitored and, in addition to notification of changes by the credit rating agency, the Council's treasury team receives regular updates from its external financial advisors as well as using its own assessment of changes to individual risks. This assessment is used to determine appropriate limits for each category of investment. The Council also recognises banks and building societies with substantial government ownership as secure institutions, with this support over-riding low credit ratings. These limits are set out in the Treasury Management Strategy that can be viewed at:
https://cabnet.richmond.gov.uk/documents/s55482/Treasury%20Management%20Policy%20and%20Strategy%20for%20201516.pdf.

The following are a summary of relevant limits approved for 2015/16:

- Banks with over 20% UK government ownership – up to £15 million
- Building Societies with required credit rating – up to £5 million for up to 6 months.
- Banks that are on the Financial Conduct Authority authorised list – a total investment limit of between £5 million and £10 million for durations up to a year dependent on the rating of the institution
- Money Market Funds with AAA Fitch rating – up to £10 million
- Local Authorities – up to £5 million or 10% of net budget per authority
- UK Government Debt Management Office – unlimited investment.

These limits on amounts to be placed with counterparties are based both on the credit assessment of the counterparty, and with a view to limiting the Council's exposure with any one institution.

During 2015/16, regular reports were made to Members. These reports covered the need to focus on the security of investments and updates on the financial market position.

Further information on the changes made and risks discussed is available in the relevant Cabinet reports which are published on the Council's website www.richmond.gov.uk.

For Loans and Trade Debtors:

Customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council has agreed to make a long term loan to West London West Authority (WLWA) of up to £15m to part finance the construction of a new waste facility. This loan was agreed as a Council policy decision as a member of WLWA and not for investment purposes. WLWA is a waste disposal authority controlled by its 6 constituent councils. It is therefore assessed to have the same risk as a local authority.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collection data over the last 5 financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2016 £000	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2016 %**	**Estimated maximum exposure to default and uncollectability at 31 March 2016 £000**	**Estimated maximum exposure at 31 March 2015 £000**
	A	**B**	**C**	**(AxC)**	
Money Market Deals	**46,850**	**0.0%**	**0.0%**	**0**	**0**
Bonds	**2,250**	**0.0%**	**0.0%**	**0**	**0**
Long Term Loan	**15,927**	**0.0%**	**0.0%**	**0**	**0**
Customers	**18,835**	**4.3%**	**10.4%**	**1,959**	**2,115**
				1,959	**2,115**

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and loans. The Council has taken advice from their treasury advisors who have confirmed there is no adjustment for market conditions at 31 March 2016 on the basis of the counterparty assessments the Council undertakes before making any investment.

The historic experience of default on customer debt has averaged 4.3% on debt outstanding at year-end over the last 10 years (data taken from the introduction of new systems in 2004/05). Due to the recent recession and the uncertainty in the economy the potential risk of default on customers' debts is assessed as equivalent to the average of the two worst years' experience in the past 10 years. On the evidence of collection rates in 2015/16 and taking into account the continuing difficult economic climate, a rate of 10.4% is assumed in the current projection of risk exposure to default on these outstanding debts.

A significant part of the £18.835m customer debt is due from Government, public bodies, other local authorities and Achieving for Children. The aged debt analysis excludes these public sector relate debtors as these debts are not considered to be a credit risk. The past due amount can be analysed by age as follows:

	31 March 2016 £000	**31 March 2015 £000**
Less than 3 months	2,718	6,271
3 to 6 months	840	247
6 months to 1 year	239	473
More than 1 year	954	1,554
	4,751	**8,545**

LIQUIDITY RISK

The Council uses cash flow projections to ensure that cash is available as needed. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the

Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To limit the risk of having to refinance or repay a significant amount of loans at any one time, the Council sets maturity limits of loans. Possible repayment and new borrowing considers the maturity curve of debt while weighing this against the interest costs of different loans. The maturity analysis of treasury financial liabilities is as follows:

Liabilities	**31 March 2016 £000**	**31 March 2015 £000**
Less than one year (including accrued interest)	4,905	2,203
Between 1 and 2 years	0	4,100
Between 2 and 5 years	6,200	4,500
Between 5 and 10 years	6,648	5,848
Between 10 and 15 years	7,500	5,000
Between 15 and 25 years	32,353	22,500
More than 25 years	41,311	25,000
	98,917	**69,151**

The maturity analysis of financial investment assets, excluding sums from customers, is as follows:

Assets	**31 March 2016 £000**	**31 March 2015 £000**
Less than 1 year	21,567	8,638
Between 1 and 2 years	0	0
Between 2 and 5 years	0	1,500
More than 5 years	750	750
	22,317	**10,888**

MARKET RISK

<u>Interest rate risk</u>

The Council is exposed to significant 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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund balance pound for pound.

The Council has a number of strategies for managing interest rate risk. Treasury policy limits use of variable rate loans to a maximum of 50% of borrowings. The treasury team will monitor interest rates and forecasts to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the expenditure projections quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Amount at 31 March 2016 £000	Amount at 31 March 2015 £000
Increase in interest payable on variable rate borrowings	40	38
Increase in interest receivable on variable rate investments	(484)	(295)
Increase in government grant receivable for financing costs	0	0
Impact on surplus or deficit on the Provision of Services	**(444)**	**(257)**
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Decrease in fair value or fixed rate borrowings liabilities (no impact on the (surplus)/deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0	0

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

Price risk

The Council does not currently invest in any tradable financial instrument subject to changes in fair value. The Council is consequently not exposed to losses arising from movements in the prices of such instruments.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. The Council occasionally transacts in foreign currency but the value and frequency of these transactions does not indicate any currency hedging or other risk control measure would be beneficial.

5. POOLED BUDGETS

The Council has entered into 5 pooled budget agreements under S75 of the NHS Act 2006:

1. Joint Integrated Community Equipment Service with Hounslow and Richmond Community Healthcare Trust (HRCH)

The basis of the funding arrangement is that the Council and HRCH contribute jointly to a pooled budget for the provision of a daily living and nursing equipment service. This service includes minor works adaptations and the servicing of hoists and other equipment. The pooled budget is hosted and managed by LB Richmond and the basis on which costs are shared is reviewed periodically to reflect usage of equipment by different client groups. In October 2011 the Council joined the London Consortium contract for provision of equipment, which is administered by the RB Kensington and Chelsea. LB Richmond pays an administrative fee for governance, overseeing contract compliance and negotiation of equipment prices.

2. Joint Integrated Mental Health Service with South West London and St. George's Mental Health Trust (SWLstG).

The Council entered this agreement in October 2013. The basis of the funding arrangement is that the Council and SWLstG contribute jointly to a pooled budget for the staffing provision of a joint Mental Health Service. The pooled budget is hosted and managed by the SWLstG and the basis on which costs are shared is reviewed periodically. The purpose is to maximise the effectiveness and efficiency of mental health provision for adults with mental illness.

3. Better Care Fund (BCF) with Richmond CCG

The BCF has been established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the national conditions and local objectives. As a result, the Council entered into a S75 agreement in April 2015 with Richmond CCG to establish a pooled fund. The fund is being invested in a number of established and new local schemes which aim to support people to access appropriate care closer to home and to keep people independent for as long as possible and prevent unnecessary hospital admissions. The Council is the host for the fund.

4. Joint Integrated Health and Social Care Services with Richmond CCG

The Council entered into a S75 agreement in April 2015 for a joint integrated partnership arrangement with Richmond CCG. This was to commission Integrated Health and Social Care Services to better meet the needs of residents of the borough, and GP registered patients of Richmond CCG, as identified in the Joint Strategic Needs Assessment (than if the parties were operating independently). The basis of the funding arrangement is that the Council and Richmond CCG contribute jointly to the partnership arrangement.

5. Joint Integrated Rapid Response Service with Hounslow and Richmond Community Healthcare Trust (HRCH)

The Council entered into a S75 agreement in April 2015 to operate a Joint Integrated Rapid Response Service with HRCH. The basis of the funding arrangement is that the Council and HRCH contribute jointly to a pooled budget for the provision of a Rapid Response Service. The pooled budget is hosted and managed by HRCH. The purpose is to provide facilities for the prevention of illness, for people who are ill or recovering from illness.

	2015/16	2014/15
Joint Equipment Service (JES)		
London Borough of Richmond upon Thames	50.0%	50.0%
Hounslow and Richmond Community Healthcare Trust	50.0%	50.0%
Mental Health Service (MHS)		
London Borough of Richmond upon Thames	36.0%	41.0%
South West London and St George's Mental Health Trust	64.0%	59.0%
Better Care Fund (BCF)		
London Borough of Richmond upon Thames	6.4%	N/a
Richmond CCG	93.6%	N/a
Health and Social Care Services (HSCS)		
London Borough of Richmond upon Thames	41.9%	N/a
Richmond CCG	58.1%	N/a
Rapid Response Service (RRS)		
London Borough of Richmond upon Thames	56.4%	N/a
Hounslow and Richmond Community Healthcare Trust	43.6%	N/a

	2015/16					2014/15				
	JES	MHS	BCF	HSCS	RRS	JES	MHS	BCF	HSCS	RRS
	£000	£000	£000	£000	£000	£000	£000			
Funding provided to the pooled budget										
LB Richmond	563	1,530	706	645	1,657	487	1,636	0	0	0
HRCH	563	0	0	0	1,279	486	0	0	0	0
SWLstG	0	2,775	0	0	0	0	2,369	0	0	0
Richmond CCG	0	0	10,293	895	0	0	0	0	0	0
	1,126	**4,305**	**10,999**	**1,540**	**2,936**	**973**	**4,005**	**0**	**0**	**0**
Expenditure met from pooled budget										
LB Richmond	602	1,434	706	645	1,665	567	1,507	0	0	0
HRCH	602	0	0	0	1,028	566	0	0	0	0
SWLstG	0	2,647	0	0	0	0	2,206	0	0	0
Richmond CCG	0	0	10,293	895	0	0	0	0	0	0
	1,204	**4,081**	**10,999**	**1,540**	**2,693**	**1,133**	**3,713**	**0**	**0**	**0**
Net (surplus)/deficit arising on the pooled budget during the year	**78**	**(224)**	**0**	**0**	**(243)**	**160**	**(292)**	**0**	**0**	**0**
LBRUT share of the net (surplus)/deficit arising on the pooled budget (before adjustment)	39	(81)	0	0	(137)	80	(119)	0	0	0
Add back LB Richmond (surplus)/deficit for 2014/15 only	0	0	0	0	0	0	(10)	0	0	0
LB Richmond share of the net (surplus)/deficit arising on the pooled budget	**39**	**(81)**	**0**	**0**	**(137)**	**80**	**(129)**	**0**	**0**	**0**

TABLE OF NOTES

SINGLE ENTITY ACCOUNTS

GROUP ACCOUNTS

COLLECTION FUND ACCOUNTS

GLOSSARY OF TERMS

ACCRUALS
Amounts charged to the accounts for goods or services received during the year for which payments have not yet been made, and for income due, which has not yet been received.

ACHIEVING FOR CHILDREN (AfC)
A Community Interest Company that is jointly owned by LB Richmond and RB Kingston. From 1 April 2014 both Councils procured the majority of Children and Educational Services from this organisation.

AMORTISATION
The practice of reducing the value of assets to reflect their reduced value over time. The term means the same as depreciation, though in practice amortisation tends to be used for intangible assets.

AUDIT COMMISSION
The Audit Commission was an independent public corporation that existed between 1 April 1983 and 31 March 2015. The Commission's primary objective was to appoint external auditors to a range of local public bodies in England. Going forward external audit services for local authorities will be provided by private sector audit firms and will be procured in line with procurement best practice.

BALANCE SHEET
A statement of the Council's assets and liabilities at the 31 March (Balance Sheet date).

BUDGET
An estimate of amounts expected to be spent or received during the year. This can refer to the Council's overall budget, the budget for a particular area (e.g. Capital Budget or Education Budget) or for a specific item (e.g. Printing Budget).

BUSINESS RATES
Also referred to as National Non-Domestic Rates (NNDR). This is tax is payable by Businesses and administered by the Council. The tax is based upon the Rateable Value of the business premises and a Multiplier Rate set by Central Government each year. The income is shared by Central Government, the Council and the Greater London Authority in the proportion 50:30:20.

BUSINESS RATE SUPPLEMENT
The Business Rate Supplements Act 2009 enables levying authorities - county councils, unitary district councils and, in London, the Greater London Authority - to levy a supplement on the Business Rate to support additional projects aimed at economic development of the area. A Business Rate Supplement is currently being levied by the Greater London Authority in relation to the Crossrail project.

CABINET
This is the executive body responsible for undertaking all of the Council's functions except those that are reserved to the full Council or delegated to Committees or officers.

CAPITAL ADJUSTMENT ACCOUNT
This reserve contains the balance of depreciation against the Prudent Provision for Repayment of Debt, also known as Minimum Revenue Provision (MRP), additional debt repayments over the MRP, reserved capital receipts and usable capital receipts and grants etc. applied to meet capital expenditure.

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of assets that have a significant value and a useful life beyond 1 year.

CAPITAL FINANCING REQUIREMENT
With the introduction of the Prudential Code on 1 April 2004, each local authority has to calculate a number of indicators that help to determine whether the authority can maintain its borrowing with prudent and sustainable levels. One of the key indicators is the Capital Financing Requirement (CFR) that represents the Council's underlying need to borrow. This is the value of capital assets that have not been financed from Council resources.

CAPITAL CHARGES
Charges made to service revenue accounts, based on the consumption of fixed assets by the service consisting of depreciation and impairment.

CAPITAL CONTRIBUTIONS
Some capital schemes receive contributions from third parties that have an interest in supporting a capital scheme. The most common source of capital contributions is from Schools that contribute part of their own resources towards a capital scheme in which they have an interest.

CAPITAL GRANTS
Government departments and Transport for London support Council capital expenditure through capital grants that can be specific to a particular capital scheme or can be more general support to a particular policy programme or government initiative. These grants are used to finance the relevant element of capital expenditure to which the grant relates.

CAPITAL PROGRAMME
A 6 year plan that identifies capital projects and purchases. The capital programme provides a planned schedule for financial planning and is reviewed annually.

CAPITAL RECEIPTS
Income received from the sale of land, buildings and other capital assets or the Council's share of such sales by other bodies. These may be used to finance capital expenditure but are not available to finance revenue expenditure.

CASH AND CASH EQUIVALENTS
Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value e.g. instant access accounts.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts (see the next paragraph).

THE CODE
This Code of Practice is based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code provides guidance to all Local Authorities on how to apply accounting standards for the production of the Statement of Accounts and outlines information that must be included.

COLLECTION FUND
Local authorities that are required by law to collect Council Tax and Business Rates must establish a 'Collection Fund' that records the amounts collected from Council Tax and Business Rates separately from the Council's own accounts. The Collection Fund also shows payments made to the government and precepting authorities, and transfers to the Council's General Fund.

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

COMMUNITY INTEREST COMPANY
A Community Interest Company is a special type of Ltd. company which exists to benefit the community rather than the private shareholders. Its primary objectives are social objectives and any surpluses are re-invested into the organisation.

CONTINGENCIES
Money set aside from a budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CORPORATE AND DEMOCRATIC CORE
Under the terms of SERCOP, all support costs are allocated to services except for Corporate and Democratic Core and Non Distributed Costs. Corporate and Democratic Core includes corporate policy making and all other Member based activities, and activities that relate to the corporate management of the Council.

COUNCIL TAX
A major source of income to the Council. It is levied on households within the Council's area based on property values and the proceeds are paid into the Collection Fund for distribution to precepting authorities, which are Council and the Greater London Authority.

COUNCIL TAX SUPPORT
Assistance provided by the Council to adults on low incomes to help them pay their Council Tax bill. Previously, this was known as Council Tax Benefit and the cost was largely met by Government grant.

CREDITORS
Organisations and individuals to whom the Council owes money.

CURRENT ASSETS
These are assets that will be consumed within the next accounting period (i.e. less than 1 year). Examples are stock, cash and debtors.

CURRENT LIABILITIES
Those amounts which will become payable or could be called upon in the next accounting period (i.e. less than 1 year).

DEBTORS
Organisations and individuals who owe money to the Council.

DEDICATED SCHOOLS GRANT (DSG)
DSG was introduced in 2006/07 and is the main ring-fenced grant that pays for Education Services. Most of the DSG is delegated to schools.

DEPRECIATION
The writing down of the value of a fixed asset in the balance sheet in line with its expected useful life.

EARMARKED RESERVES
Amounts set aside for specific purposes falling outside the definition of provisions.

EMPLOYEE BENEFITS
Salaries, wages, paid annual leave and paid sick leave.

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.

FINANCE LEASE
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.

FIXED ASSETS
These are assets that are likely to be in use by the Council for more than 1 year, such as land and buildings.

FTE
FTE is an abbreviation for the term Full Time Equivalents. FTE is commonly used to measure the number of staff employed within a service or other operational group. It enables amount of part time and other flexible working arrangements (e.g. 2 days per week or term-time only) to be consistently measured.

FUNDING BASIS
This refers to the Funding Basis under regulations. The Council is required to include several items in the Comprehensive Income and Expenditure Account under The Code that are not a charged to Council Tax payers (e.g. depreciation).

GENERAL FUND
This is available for any purpose and is held to manage major in-year spending issues and to ensure financial stability.

HERITAGE ASSETS
Heritage Assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

IAS19
Accounting standard requiring the recognition by an authority of the attributable share of the assets and liabilities of pension funds with which it is associated showing the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme, even though the fund retains title to the assets and the responsibility to pay pensions.

IMPAIRMENT LOSS
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.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
A core financial statement that provides a summary of the resources generated and consumed by the Council in the year.

INFRASTRUCTURE ASSETS
These are fixed assets that are not saleable, for example, roads.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The regulations under which the accounts are published. A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

INTANGIBLE FIXED ASSETS
Intangible fixed assets that are likely to be in use by the Council for more than one year are recognised where there is no 'physical' asset but the Council controls future economic benefits from the asset. For example computer software.

INVENTORIES
Inventories are materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of an authority's ordinary business.

LONG TERM BORROWING
This is external borrowing for a period of 1 year or more. Temporary borrowing is defined as external borrowing for 364 days or less.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the General Fund each year and set aside as prudent provision for debt repayment, as required by the Local Government Act 1989 and Capital Financing Regulations (as amended).

MOVEMENT IN RESERVES STATEMENT (MIRS)
A prime statement that draws together all the movement in both the usable and unusable reserves in one table.

NATIONAL NON-DOMESTIC RATES
Also referred to as Non-Domestic Rates (NNDR), this is explained in the paragraph on Business Rates.

NET BOOK VALUE
An asset or liabilities original book value net of any accounting adjustments such as depreciation.

NET REALISABLE VALUE
The value of an asset that can be realised upon the sale of the asset, less any costs associated with either the eventual sale or the disposal of the asset in question.

NON-DISTRIBUTED COSTS
This category of expenditure under SERCOP comprises the costs of any unused IT facilities and long term unrealisable assets as well as a number of adjustments in relation to pension costs that are not attributable to the current cost of frontline services.

OPERATIONAL ASSETS
These are fixed assets that are held, occupied, used or consumed by the Council in the direct delivery of its services.

OPERATING LEASE
This is a type of lease under which lease rentals are paid for the use of the asset over the period of the lease. The asset remains the property of the lessor and has to be returned at the end of the lease.

OUTTURN
This is the final expenditure and income in any financial year. Outturn reports usually compare the final net expenditure (expenditure less income) against the relevant budget.

PRECEPT
A charge made by prescribed public authorities that do not administer the local Council Tax on the Collection Fund.

PROVISIONS
Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain but can be reasonable estimated.

Public Works Loan Board
The Public Works Loan Board (PWLB) is a Government body that makes long term loans to local authorities.

REVALUATION RESERVE
This reserve contains the balance on the revaluation of fixed assets and any subsequent movement in the current cost of assets arising from depreciation or disposals of those assets.

REVENUE EXPENDITURE
Day to day payments on the running of Council services such as salaries and wages, operating costs and charges for the use of assets.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)
Capital expenditure that does not result in a new or enhanced asset in the Council's accounts. An example is an improvement grant made to an individual. This expenditure is also referred to as revenue expenditure classified as capital by statute.

SECTION 106 RECEIPT
Under Section 106 of the Town and Country Planning Act, 1990, developers and local authorities can enter into planning obligations to enable developments to proceed that might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and in some cases these provide for the developer to make financial payments to the Council that have to be used for compensatory works or measures that facilitate the proposed development.

SECTION 151 OFFICER
Section 151 of the Local Government Act 1972 requires each local authority to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs. This officer is sometimes referred to as the Section 151 Officer. The Section 151 Officer for this Council is the Director of Finance and Corporate Services.

SERVICE REPORTING CODE OF PRACTICE (SERCOP)
The CIPFA SERCOP establishes proper practices with regard to consistent financial reporting for services. It provides best practice guidelines about which services or transactions to report together.

TANGIBLE NON-CURRENT ASSETS
Tangible fixed assets are 'physical' assets that provide future economic benefit and are likely to be in use by the Council for more than one year.

TEMPORARY AND LONG TERM INVESTMENTS
The Council has cash surpluses that reflect its usable revenue and capital reserves and the incidence of cash flows. These investments are in loans to banks and other financial institutions. The majority of investments are short term, i.e. with repayment in less than 365 days. Longer term investments (365 days or longer) including long term loans to another local authority.

TEMPORARY BORROWING
This is defined as external borrowing for 364 days or less. Long term borrowing is external borrowing for a period of 1 year or more.

TERMINATION BENEFITS
Amounts payable to employees as a result of a decision by the Council to terminate an officer's employment prior to normal retirement age or an officer's decision to accept voluntary redundancy.

ALTERNATIVE FORMATS

If you have difficulty understanding this publication, please visit Reception at the address below where we can arrange a telephone interpreting service

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Nese keni veshtersi per te kuptuar kete botim, ju lutemi ejani ne recepcionin ne adresen e shenuar me poshte ku ne mund te organizojme perkthime nepermjet telefonit.

এই প্রকাশনার অর্থ বুঝতে পারায় যদি আপনার কোন সমস্যা হয়, নিচে দেওয়া ঠিকানায় রিসেপ্শন-এ চলে আসুন যেখানে আমরা আপনাকে টেলিফোনে দোভাষীর সেবা প্রদানের ব্যবস্থা করতে পারবো।

إذا كانت لديك صعوبة في فهم هذا المنشور، فنرجو زيارة الإستقبال في العنوان المعطى أدناه حيث بإمكاننا أن نرتب لخدمة ترجمة شفوية هاتفية.

اگر در فهمیدن این نشریه مشکل دارید، لطفا به میز پذیرش در آدرس قید شده در زیر رجوع فرمایید تا سرویس ترجمه تلفنی برایتان فراهم آورده شود.

જો તમને આ પુસ્તિકાની વિગતો સમજવામાં મુશ્કેલી પડતી હોય તો, કૃપયા નીચે જણાવેલ સ્થળના રિસેપ્શન પર આવો, જ્યાં અમે ટેલિફોન પર ગુજરાતીમાં ઇન્ટરપ્રિટીંગ સેવાની ગોઠવણ કરી આપીશું.

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਪਰਚੇ ਨੂੰ ਸਮਝਣ ਵਿਚ ਮੁਸ਼ਕਲ ਪੇਸ਼ ਆਉਂਦੀ ਹੈ ਤਾਂ ਹੇਠਾਂ ਦਿੱਤੇ ਗਏ ਪਤੇ ਉੱਪਰ ਰਿਸੈਪਸ਼ਨ 'ਤੇ ਆਓ ਜਿੱਥੇ ਅਸੀਂ ਟੈਲੀਫ਼ੋਨ ਤੇ ਗੱਲਬਾਤ ਕਰਨ ਲਈ ਇੰਟਰਪ੍ਰਿਟਰ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਸਕਦੇ ਹਾਂ।

اگر آپ کو اِس اشاعت کو سمجھنے میں کوئی مشکل ہے تو، براہِ کرم نیچے دیئے ہوئے ایڈریس کے استقبالیے پر جا کر ملیئے، جہاں ہم آپ کیلئے ٹیلیفون انٹرپریٹنگ سروس (ٹیلیفون پر ترجمانی کی سروس) کا انتظام کر سکتے ہیں۔

FEEDBACK

We continuously try to improve our communications with the public and welcome any comments or suggestions on this publication. Please send any comments to:

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OTHER PUBLICATIONS:
In addition to this Statement of Accounts that has to be produced in a format that complies with legislation and professional guidance, the Council publishes a range of other reports covering finance and performance.

If you are interested in the Council's finances and how it performs, please visit our website and follow the link on the front page to 'Statements of Accounts' www.richmond.gov.uk.