London Borough of Richmond upon Thames

Accounts for the year 2017/18

Mark Maidment CPFA

Director of Resources and Deputy Chief Executive

Audited
Published 31 July 2018

These financial statements replace the unaudited financial statements certified by Mark Maidment on 31 May 2018

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 (LB Richmond) for the financial year 2017/18. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which in turn is underpinned by International Financial Reporting Standards. This means that the accounts are prepared on the same basis as the rest of the local authorities and central government in the United Kingdom. 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.

This document comprises 3 key areas:

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

The Statement of Accounts is made up of 4 core statements as follows:

Core Statement	Purpose/relationship with other statements
Comprehensive Income and Expenditure Statement	This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Principles (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 both in the Expenditure and Funding Analysis and in the Movement in Reserves Statement.
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. This statement also shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with GAAP and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The increase/decrease (movement) in year line shows the statutory General Fund balance movements in the year following those adjustments.

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 Council (assets less liabilities) are matched by the reserves held by the Council.
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.

Organisational Overview

LB Richmond is a commissioning council focused on delivering local priorities. Despite funding challenges, the Council's vision remains to be the best borough in London, a borough identified by its green character, historic buildings, high quality appearance, vibrant high streets and outstanding schools and services.

The Council is committed to being an accountable, open Council with empowered communities, using new methods of engagement to deepen conversations with residents.

Each year the Council sets out its priorities for achievement in its Corporate Plan. Over the 3 year term 2016-19 these are:

People

- Protecting the most vulnerable
- A healthy borough
- The best schools in London

Place

- A green borough
- Supporting local business and arts
- A safe borough

Resources

- A lower tax borough
- An accountable and open council

How we work

- Involving our community
- Community leadership
- Fairness for all

Performance against these corporate objectives is reviewed regularly.

Operational Model

The Council delivers some services itself, commissions others to provide some services on its behalf and also works with partners to deliver services. Commissioning is an ongoing process that includes assessing needs, engaging with local people to prioritise services and then planning and securing those services. It works in partnership with a range of different organisations to plan services that are joined up across the borough including the Richmond Partnership, Health and Wellbeing and Community Safety. The voluntary sector is both a key partner and provider of services in the Borough.

The Council directly delivers a number of services and is organised into 5 directorates:

Adult Social Services
Chief Executive's Group
Environment and Community Services
Housing and Regeneration
Resources

Children's Services are provided by Achieving for Children (AfC), a community interest company owned by LB Richmond and RB Kingston and, since August 2017, RB Windsor and Maidenhead.

The Council operates a Shared Staffing Arrangement (SSA) with Wandsworth Council. The arrangement commenced on 1 October 2016, creating a single staffing structure across the two boroughs and has already delivered substantial savings to preserve front-line services. The SSA has created one of the largest staff groups in local government, which will enable the two Councils to retain quality, specialisms and expertise which are more sustainable in a larger organisation.

However, Richmond and Wandsworth Councils continue to be separate sovereign bodies with their own elected Councillors, Cabinets and Leaders, maintaining their distinct identities and retaining the ability to develop policies and priorities that matter to their local residents.

Risk and Opportunities

The Audit Committee of the Council has responsibility for monitoring the effective development and operation of risk management policies in the Council, making recommendations to the Executive on risk management procedures. The Annual Governance Statement again confirms that the Council's Risk Management Strategy is effective and well embedded into corporate management processes. The latest review of the Council's key risks and mitigating controls can be found here:
https://cabnet.richmond.gov.uk/documents/s68309/LBR%20Annual%20Review%20of%20Risk%20Management.pdf

A key risk affecting the Council relates to its financial position. In common with the rest of local government, the Council has seen a reduction in its core funding in recent years. However Richmond, already characterised by historic low levels of Government funding, has been one of the worst hit authorities over this period and is one of the few boroughs affected by the Government's proposal to introduce "negative Revenue Support Grant" i.e. a further loss of funding to the Council. In addition the Government's "Fair Funding" review of its national distribution formulae adds further uncertainty to the Council's financial outlook. The Council will continue to engage with Government on consultations to ensure the best possible outcomes for the Borough.

The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of Business Rates collected locally. The Government introduced a pilot for the pooling of Business Rates across London in 2018/19 which will see London retain a greater share of the growth in Business Rates.

In addition to further anticipated reductions in Government funding the Council also expects to see rising demand for services from an increasing demographic, particularly around adult social care and children's specialist services. There is also pressure (in particular in relation to the high needs funding block) on the Dedicated Schools Budget which funds schools and the Council's General Fund holds the funding risk where grant funding for schools proves insufficient to meet statutory requirements.

The Council's Medium Term Financial Strategy (MTFS) details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding and increasing demographic pressures. The latest version of the MTFS can be accessed on the Council's website at:
https://cabnet.richmond.gov.uk/documents/s72390/3%20Appendix%20C%20MTFS1%2022022018%20Cabinet.pdf

Performance

The Corporate Plan sets out the Council's priorities for the year ahead and measures success against those priorities. The Council's strategic projects and programmes are monitored monthly to ensure they are delivering to time and on budget and that the intended outcomes and benefits are achieved. Progress on these programmes is reported to Cabinet on a quarterly basis.

The Council also report against the measures set out in this plan on an exception basis, in our quarterly performance reports to Cabinet and to the Scrutiny Committee. Where the Council are not on track it outlines the actions being taken to ensure targets are met. This information is published on the Council's website at the following link:
https://www.richmond.gov.uk/council/how_we_work/council_performance

The Council's key achievements in 2017/18 were:

- The achievement of £12.7m of budget efficiency savings through the re-procurement of contracts, restructuring of services (including the SSA) and generation of additional income.

- The Council continued to develop the SSA with Wandsworth Council under which both councils share staff. This arrangement follows already successfully implemented delivery models for a number of shared services including Audit, Youth Offending, Pensions, and Legal Services.

- Since 2010 the Council has spent £384m on its capital programme. The key achievements in this time include:

- The creation of 3,269 primary school places by expanding existing schools.
- The creation of 210 new primary places in a new school (St Richard Reynolds Primary).
- Enabling the creation of 4 new primary free schools in the Borough and 3 new secondary schools.
- The creation of 1,480 sixth form places in the Borough's secondary schools.
- The Uplift Programme in Hampton North, Ham, Whitton, Barnes and Mortlake and Twickenham.
- 39,500 square metres of roads have been resurfaced in the last year.
- The Housing Capital Programme has part funded 259 affordable units.

Financial Performance

Revenue

The Council recorded a net underspend of £3.3m (2.75% of the 2017/18 Council Tax Requirement). There were over and underspends across the Directorates, reflecting the wide range of services provided. Further details are included in the Council's outturn report which is available at: https://cabnet.richmond.gov.uk/documents/s74315/Richmond%20Outturn%20OSC%20Cover%20sheet%20-%20FINAL%20002.pdf

The most significant items to note in each Directorate are set out below:

Directorate	Revised Budget £000	Outturn £000	Variance £000
AfC Client Side and Residual Functions*	38,744	38,963	219
Environment and Community Services	20,059	19,665	(395)
Adult Social Services	54,206	54,175	(31)
Housing and Regeneration	5,978	6,579	601
Chief Executive's	4,329	3,911	(418)
Resources	25,697	24,405	(1,292)
Central Items	(29,242)	(31,216)	(1,974)
	119,770	**116,482**	**(3,290)**

* During 2013/14, both the Council and RB Kingston set up a community interest company called Achieving for Children (AfC) to provide their Children's Services which, in August 2017, was extended to include the Royal Borough of Windsor and Maidenhead. AfC Client Side and Residual Functions is the contract for the service and any minor residual services still held by the Council.

The majority of the AfC retained residual functions overspend is a result of additional children's serious case reviews required during the year. Additional enforcement income received from the parking service (-£1.3m) offset other over spends within the Environment and Community Services Directorate, and within Adult Social Services efficiencies within locally commissioned service contracts with primary care providers and a review of the smoking cessation service delivery programme (-£0.3m) within Public Health.

The overspend of £0.6m within the Housing and Regeneration Directorate is mainly a result of the interim arrangements and one off costs associated with the establishment of the new Facilities Management insourced function from April 2018 (+£0.4m) and a rent review at one of the Council's rented properties which, although challenged, incurred additional costs of £0.2m.

The Resources and Central Items areas have contributed in the main to the overall underspend as follows: an underspend within the cost of historic pensions adjustments for the non-schools related cost to the Council (-£0.7m); the continued recovery of additional Housing Benefit overpayments greater than budgeted (-£0.2m); staffing efficiencies within the Procurement section and reduced costs as a result of the expansion of the Audit shared service (-£0.7m) partially offset by additional costs within the HR and IT services; unused central contingency budget (-£0.9m); centrally retained agency costs rebate (-£0.3m) and the receipt of additional Government grants relating to Business Rates (-£0.7m) which were unbudgeted.

Revenue Reserves

The Council's General Fund Reserve remains unchanged at £10m which represents 8.3% of the Council Budget Requirement for 2018/19 and is within the guidelines agreed by the Council.

Reserves, including the General Fund Reserve but excluding schools and grant reserves, have increased by £0.2m to £36.8m. Including schools, reserves have fallen by £2.2m largely as a result of a shortfall in Dedicated Schools Grant funding which is outside the Council's control but, unless recovered in future years, could effectively form a call on the Council's other reserves.

Of the £36.8m, £10.3m relates to the PFI Reserve and the Insurance Reserve which, whilst not statutory, are deemed essential and their use for other purposes would potentially lead to significant fluctuations in future revenue spend that are not budgeted for within the Council's MTFS.

Capital

The Council has spent £43.7m on the capital programme in 2017/18. This is detailed in the table below. Overall expenditure decreased significantly from the £51.9m expenditure in 2016/17 due to schools projects and the capital loan to West London Waste Authority being completed.

Directorate	Revised Budget £000	Outturn £000	Variance £000
Education and Children's Services	26,895	26,895	0
Environment and Community Services	11,093	11,093	0
Adult Social Services	287	287	0
Housing and Regeneration	2,711	2,710	(1)
Chief Executive	1,405	1,405	0
Resources	1,274	1,274	0
	43,665	43,664	(1)

Pensions

The accounts show a deficit on the Council's pension liabilities of £245m at 31 March 2018 (decreased from £266.3m at 31 March 2017). This figure is LB Richmond's share of pensions liabilities, so includes Richmond's share of the SSA staffing liabilities as well as pre-SSA costs of council staff. The deficit is therefore comparable with prior years, with the decrease due to external factors, although the SSA has reduced overall staff numbers across both councils. This figure is calculated by the joint Pension Fund's actuary and is an estimate of the shortfall in funds available to the Fund to meet all of its liabilities using the IAS 19 methodology. 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 a decreased discount rate increasing the net present value of projected liabilities and expected inflation increases, offset by increased investment returns.

The latest triennial valuation was at 31 March 2016. This takes into account the transfer of Richmond upon Thames Pension Fund assets and liabilities into the Wandsworth Council Pension Fund as at 1 October 2016 as required by Local Government Pensions Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016 SI 2016/1241.

Other significant items to note

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

- The Council capitalised £0.8m of costs in setting up the SSA as allowed for under the Flexible Use of Capital Receipts Strategy 2016/17-2018/19. This strategy allows councils to finance one off projects designed to deliver on-going efficiency savings from capital receipts within a 3 year period starting in 2016/17.

- In 2017/18 a community building known as The Exchange (part of a wider development situated on London Road, Twickenham) was donated to the Council under a Section 106 agreement. The value of this asset is £4.5m and the permitted use of this building is detailed in the agreement.

Current borrowing facilities and capital borrowing

The Council increased its underlying need to borrow (Capital Financing Requirement) by £11.4m during the year to £171.2m. This increase represented part funding for £43.7m of capital spend incurred during the year. The Council increased its actual borrowing by £10m in the form of Public Works Loans Board loans and made loan repayments of £1.4m. This increase reduced the gap between the underlying need to borrow and actual borrowing (replacing internal borrowing) but increased total external borrowing to £114.9m. 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. The February 2018 report is available on the following link:

http://moderngov.richmond.gov.uk/documents/s72101/Capital%20Programme%20201718%20to%202223.pdf

Internal and external funds to meet capital and PFI costs

The Council sets a 6 year capital programme every February, detailing the current and next 5 years planned capital spend. This includes how expenditure will be financed, and the relevant Prudential Indicators required to enable the Council to ensure all capital borrowing is affordable, sustainable and prudent. The capital programme totals £145.8m over a 6 year period. Education projects (43.4% of the total programme over the next 5 years) continue to dominate the programme. This reflects the Council's investment plans for primary, secondary and special school places. The programme includes new schemes totaling £16.9m, of which £5.5m relate to ICT investment.

The Council has 2 PFI projects and recognises £13.9m of long term liability as funding for the care homes and schools assets acquired under these contracts. There are further financing leases which relate to vehicles and buildings, with an associated long term liability of £4.5m.

Outlook

The Council's MTFS details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing Government funding and increasing demographic pressures on some services. The key objective of the MTFS is to set the lowest possible Council Tax consistent with achieving the aims of the Corporate Plan.

Between 2011/12 and 2017/18, the Council has achieved efficiencies of around £56m. These savings can broadly be categorised as £27m from internal restructuring and the sharing of services with other organisations, £17m from procurement and contract savings and £12m from income generation, inflation restrictions and other savings.

The funding issues faced by the Council will require additional savings to be identified and implemented in order to achieve the lowest possible Council Tax increases in future years. £5.2m of savings for 2018/19 and £4.2m of savings over the following 2 years have been identified at present. These figures include £4.6m of further savings relating to the SSA. Significant further savings will be required beyond 2018/19; the exact level of savings will depend on the Council Tax levels agreed and the outcome of the reviews of local government finance proposed by the Government.

The MTFS highlights the options available for meeting the current funding gap and identifies how a balanced budget will need to be delivered through a mix of efficiencies and charge increases, with the overall aim of protecting, as far as is practicable, local services whilst enhancing working arrangements with others and creating a sustainable financial position.

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 Resources and Deputy Chief Executive;
- 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 Resources and Deputy Chief Executive

The Director of Resources and Deputy Chief Executive is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, the Director of Resources and Deputy Chief Executive has:

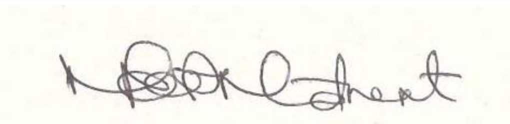
- selected suitable Accounting Policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director of Resources and Deputy Chief Executive 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

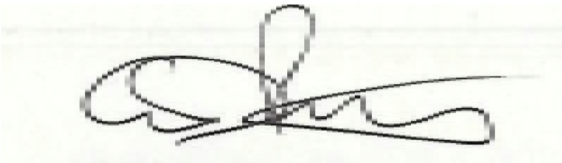
I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Richmond upon Thames as at the 31 March 2018 and its income and expenditure for the year ended 31 March 2018.



Mark Maidment
Director of Resources and Deputy Chief Executive
30 July 2018

Certificate of Approval

These financial statements were approved by the Statutory Accounts Committee on 30 July 2018.



Chairman
Statutory Accounts Committee
30 July 2018

Date authorised for issue: This statement of accounts is authorised for issue on 31 July 2018 and any events up to this date are reflected in the note Events after the Balance Sheet date.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CI&ES) shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Principles (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 both in the Expenditure and Funding Analysis and in the Movement in Reserves Statement (MiRS).

2016/17					2017/18		
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**	*Note*		**£000**	**£000**	**£000**
96,768	(36,947)	59,821		Adults Social Services	96,368	(37,685)	58,683
188,348	(122,041)	66,307		AfC Client Side and Residual Functions	193,753	(129,778)	63,975
17,452	(11,468)	5,984		Chief Executive's Group	14,729	(7,634)	7,095
0	(4,255)	(4,255)		Central Items	0	(3,335)	(3,335)
61,110	(34,165)	26,945		Environment and Community Services	64,665	(33,276)	31,389
16,759	(9,481)	7,278		Housing and Regeneration	25,307	(8,952)	16,355
103,311	(73,985)	29,326		Resources	91,584	(70,312)	21,272
483,748	**(292,342)**	**191,406**		**Cost of Services**	**486,406**	**(290,972)**	**195,434**
67,887	(5,948)	61,939	*12*	Other Operating Expenditure	23,925	0	23,925
11,249	(2,892)	8,357	*13*	Financing and Investment Income and Expenditure*	27,544	(18,418)	9,126
0	(176,692)	(176,692)	*14*	Taxation and Non Specific Grant Income	0	(177,705)	(177,705)
562,884	**(477,874)**	**85,010**		**(Surplus) or deficit on Provision of Services**	**537,875**	**(487,095)**	**50,780**
		(91,368)	*15*	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(383,016)
		96,943	*42*	Remeasurement of the net defined benefit liability / asset			(40,186)
		5,575		**Other Comprehensive Income and Expenditure**			**(423,202)**
		90,585		**Total Comprehensive Income and Expenditure**			**(372,422)**

*The large variance in income and expenditure under Financing and Investment Income in 2017/18 compared to 2016/17 is due to a change in the way interest income, and expenditure on the pension liability has been classified in 2017/18.

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 Council (assets less liabilities) are matched by the reserves held by the Council. 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 MiRS line; adjustments between accounting basis and funding basis under regulations.

31 March 2017 £000 Restated	*Note*		**31 March 2018 £000**
863,664	*15*	Property, Plant and Equipment	1,229,200
2,792	*16*	Heritage Assets	2,788
18,140	*17*	Investment Property	17,982
72		Intangible Assets	247
750	*19*	Long Term Investments	750
23,856	*20*	Long Term Debtors	23,603
909,274		**Long Term Assets**	**1,274,570**
20,649	*19*	Short-term Investments	7,129
38		Inventories	12
48,728	*20*	Short Term Debtors	65,412
14,926	*21*	Cash and Cash Equivalents	19,046
84,341		**Current Assets**	**91,599**
(3,893)	*19*	Short-Term Borrowing	(6,373)
(46,488)	*22*	Short-Term Creditors	(56,234)
(4,181)	*23*	Provisions	(2,484)
(6,107)	*35*	Grants Receipts in Advance - Revenue	(5,545)
0	*35*	Grants Receipts in Advance - Capital	(1,744)
(60,669)		**Current Liabilities**	**(72,380)**
(24)		Long-Term Creditors	(24)
(879)	*23*	Provisions	(1,059)
(106,462)	*19*	Long Term Borrowing	(112,742)
(292,409)	*18*	Other Long-Term Liabilities	(269,729)
(1,436)	*35*	Grants Receipts in Advance - Revenue	(1,100)
(1,131)	*35*	Grants Receipts in Advance - Capital	(6,101)
(402,342)		**Long Term Liabilities**	**(390,755)**
530,605		**Net Assets**	**903,034**
(64,831)	*24*	Usable Reserves	(59,688)
(465,774)	*25*	Unusable Reserves	(843,346)
(530,605)		**Total Reserves**	**(903,034)**

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. This statement also shows how the movements in year are broken down between gains and losses incurred in accordance with GAAP and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. 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. The increase/decrease (movement) in year line shows the statutory General Fund balance movements in the year following those adjustments.

	Note	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Un-applied Account £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Reserves £000**
Balance at 31 March 2017		**(9,956)**	**(38,236)**	**(2,680)**	**(13,959)**	**(64,831)**	**(465,773)**	**(530,604)**
Movement in reserves during 2017/18								
(Surplus) or deficit on the provision of services	*CI&ES*	50,780	0	0	(8)	**50,772**	0	**50,772**
Other Comprehensive Income / Expenditure	*CI&ES*	(423,202)	0	0	0	**(423,202)**	0	**(423,202)**
Total Comprehensive Income and Expenditure		**(372,422)**	**0**	**0**	**(8)**	**(372,430)**	**0**	**(372,430)**
Adjustments between accounting basis and funding basis under regulations	*10*	376,676	0	(278)	1,175	**377,573**	(**377,573**)	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**4,254**	**0**	**(278)**	**1,167**	**5,143**	**(377,573)**	**(372,430)**
Transfers to / from Earmarked Reserves	*11*	(4,254)	4,254	0	0	**0**	0	**0**
Increase or Decrease in 2017/18		**0**	**4,254**	**(278)**	**1,167**	**5,143**	**(377,573)**	**(372,573)**
Balance at 31 March 2018		**(9,956)**	**(33,982)**	**(2,958)**	**(12,792)**	**(59,688)**	**(843,346)**	**(903,034)**

Restated 2016/17 Movement in Reserves Statement

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016		(9,956)	(45,453)	(2,191)	(6,473)	**(64,073)**	(557,117)	**(621,190)**
Movement in reserves during 2016/17								
(Surplus) or deficit on the provision of services	*CI&ES*	85,010	0	0	0	**85,010**	0	**85,010**
Other Comprehensive Income / Expenditure	*CI&ES*	5,575	0	0	0	**5,575**	0	**5,575**
Total Comprehensive Income and Expenditure		**90,585**	**0**	**0**	**0**	**90,585**	**0**	**90,585**
Adjustments between accounting basis and funding basis under regulations	*10*	(83,293)	(75)	(489)	(7,486)	**(91,343)**	91,343	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**7,292**	**(75)**	**(489)**	**(7,486)**	**(758)**	**91,343**	**90,585**
Transfers to / from Earmarked Reserves	*11*	(7,292)	7,292	0	0	**0**	0	**0**
Increase or Decrease in 2016/17		**0**	**7,217**	**(489)**	**(7,486)**	**(758)**	**91,343**	**90,585**
Balance at 31 March 2017		**(9,956)**	**(38,236)**	**(2,680)**	**(13,959)**	**(64,831)**	**(465,774)**	**(530,605)**

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).

2016/17			2017/18
£000	*Note*		**£000**
85,010		Net (surplus) or deficit on the provision of services	50,780
(103,517)		Adjustment to (surplus) or deficit on the provision of services for noncash movements	(54,063)
3,220		Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	28,878
(15,287)	*26*	**Net cash flows from operating activities**	**25,595**
38,272	*27*	Net cash flows from investing activities	(17,519)
(11,829)	*28*	Net cash flows from financing activities	(12,196)
11,156		**Net (increase) or decrease in cash and cash equivalents**	**(4,120)**
26,082		Cash and cash equivalents at the beginning of the reporting period	14,926
14,926		**Cash and cash equivalents at the end of the reporting period**	**19,046**

Note 1 - Accounting Policies

1. **General principles**

Basis of preparation - accounting practices

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its year-end position at 31 March 2018. 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:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).
- 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.

2. **Pension Fund Accounts**

Following the passing of the Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016 – SI 2016/1241, LB Richmond is no longer an administering authority of the Local Government Pension Scheme (LGPS). The London Borough of Richmond upon Thames Pension Fund no longer exists as an entity from 1 October 2016.

The Council is now a scheduled employer in the Wandsworth Council Pension Fund and Wandsworth Council is the administering body for that Fund. The Wandsworth Council Pension Fund Accounts are presented in Wandsworth Council's Statement of Accounts only on this basis.

3. **Going Concern**

The Council's financial statements are prepared on the going concern basis; that is, the accounts are prepared on the assumption that the Council will continue in operational existence in the foreseeable future. Transfers of services under combinations of public sector bodies such as government reorganisation do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

4. **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.

5. 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 CI&ES or in the notes to the accounts, depending on how significant the items are.

6. Items Re-classifiable to the Cost of Services

There are items in the CI&ES 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 CI&ES if they occur. At present the Council has no such transactions.

7. 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), provision for impairment is raised 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 4th 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 £10k. 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 £10k.

8. Inventories

The Council recognises all inventories (stock) that have a value over £10k 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.

9. 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 CI&ES. 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 – £50k.
- Vehicles, Plant and Equipment – £10k.
- Intangible Assets – £10k.

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.

10. 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.

11. 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 CI&ES. 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 MiRS and posted to the CAA and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

12. 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 Council'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 Council'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.

13. <u>Property, Plant and Equipment</u>

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 1 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 CI&ES, 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 CI&ES, they are reversed out of the General Fund balance to the CAA in the MiRS.

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 (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 CI&ES 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 CI&ES.

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

Impairment

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

Where impairment losses are identified, they are accounted for 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 CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, 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 on acquisition
- 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 £0.5m 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 CAA.

Disposals and Non-current Assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES. 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 CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are 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 MiRS.

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 CAA from the General Fund balance in the MiRS.

Fair Value Measurement

The Council 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 Council 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 Council 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 Council 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 Council'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 Council 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.

14. 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 CAA in the MiRS for the difference between the two.

15. 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.

16. 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 MiRS 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 CI&ES 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 MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the 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 Wandsworth Council.

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 AfC Client Side and Residual Functions line in the CI&ES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

Following the passing of the Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016 – SI 2016/1241, LB Richmond is no longer an administering authority of the Local Government Pension Scheme (LGPS). The London Borough of Richmond upon Thames Pension Fund no longer exists as an entity from 1 October 2016.

The Council is now a scheduled employer in the Wandsworth Council Pension Fund and Wandsworth Council is the administering body for that Fund. The Wandsworth Council Pension Fund Accounts are presented in Wandsworth Council's Statement of Accounts only on this basis. The new merged Fund provides the same benefits to members and employers as all other LGPS Funds. The Council continues to receive IAS 19 reports on end of year assets and liabilities as an employer in the merged Fund.

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

- The liabilities of the Wandsworth Council Pension Fund attributable to the Council 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 Wandsworth Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities– current bid price
  - Property – market value
- The change in the net pensions liability is analysed into 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. This is allocated in the CI&ES 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 Council in the number of employees covered by a plan). This is debited to the Surplus or deficit on the Provision of Services in the CI&ES.
    - Any gain or loss on settlement – arising when an Council 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 CI&ES.
  - 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 CI&ES
  - 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 Wandsworth Council 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, 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.

17. 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 are 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.

18. 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 CI&ES 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 CI&ES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CI&ES, 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 CI&ES 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 MiRS.

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 CI&ES 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 CI&ES 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 CI&ES. 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 CI&ES.

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 CI&ES 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 CI&ES 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 CI&ES, 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 CI&ES. 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 CI&ES, 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 CI&ES.

19. 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 CI&ES 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 CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the MiRS. 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 CAA. Amounts in the Capital Grants Unapplied reserve are transferred to the CAA 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.

20. 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 CI&ES.

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.

21. 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.

22. 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.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CI&ES).

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 CAA in the MiRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CI&ES 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 CI&ES 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 CI&ES 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).

- Finance income (credited to the Financing and Investment Income and Expenditure line in the CI&ES).

The gain credited to the CI&ES 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 MiRS. 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 MiRS. 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 CAA from the General Fund balance in the MiRS.

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 CI&ES. 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.

23. 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 MiRS. 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 CI&ES. The reserve is then appropriated back into the General Fund Balance in the MiRS 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.

24. 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 CI&ES
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CI&ES
- 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 CI&ES
- 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).

25. 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 CI&ES 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.

26. 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.

27. 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.

28. 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.

29. Overheads and Support Costs

The costs of overheads and support services 'recharges' are no longer charged to those that benefit from the supply or service in accordance with the Code. The Council does not report to Members throughout the year on recharges therefore the CI&ES is based on the Council's internal reportable segments which were created as part of the SSA with Wandsworth Council.

30. 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 CI&ES 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 MiRS from the General Fund balance to the CAA then reverses out the amounts charged so that there is no impact on the level of Council Tax.

31. Community Infrastructure Levy (CIL)

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 has collected a CIL on behalf of the Greater London Authority (GLA) 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.

32. Accounting for schools

Capital

The Council currently holds all local Council 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. Leases may be delayed to avoid contractual issues where there are on-going capital works on the school site. The Council does not generally hold VA schools on its Balance Sheet as the Council does not have the level of control over the sites needed to recognise them as assets. Where the Council does own (and therefore control) a site used by a VA school (e.g. St Richard Reynolds) the site will be recognised as a council asset. The same principles of control of the risks and rewards of ownership apply to academies and free schools. 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). This represents capital spend relating to assets not owned by the Council and is reported through the CI&ES.

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 VA schools are not consolidated into the Council's Accounts.

33. <u>Council Tax and Business Rates</u>

The Council acts as an agent, collecting Council Tax and Business Rates on behalf of the major preceptors (including Government for Business Rates) and, as a principal, collecting Council Tax and Business Rates for themselves. Billing authorities (the Council) are required by statute to maintain a separate fund (Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Government share proportionately the risks and rewards that the amount of Council Tax and Business Rates collected could be less or more than predicted.

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the CI&ES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the Council's General Fund. Therefore, the difference between the income included in the CI&ES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MiRS. The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

34. <u>VAT</u>

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.

Note 2 - Prior Period Adjustment

A prior period adjustment (where previous years audited accounts are changed) is required where there has been a change in accounting policies or to correct a material error.

As part of a housekeeping exercise undertaken during 2017/18, a number of historic balances dating as far back as the late 1990's were removed form the asset register (mainly because the entries could not be linked to tangible assets which at the time they didn't need to be). As a result there is a need for prior period adjustments to the 2016/17 opening balances. The accounts have been amended and the tables below show the impact of these changes.

<u>Changes to 2016/17 Accounts</u>

Balance Sheet

	Original 31 March 2017 £000	Change £000	New 31 March 2017 £000
Property, Plant and Equipment	882,707	(19,043)	863,664
Long Term Assets Sub-Total	928,317	(19,043)	909,274
Net Assets Total	549,648	(19,043)	530,605
Unusable Reserves	(484,817)	19,043	(465,774)
Total Reserves	(549,648)	19,043	(530,605)

Movement in Reserves Statement

	Original 31 March 2017 £000	Change £000	New 31 March 2017 £000
<u>Usable Reserves Column</u>			
Balance at 31 March 2016	(576,160)	19,043	(557,117)
Balance at 31 March 2017	(484,817)	19,043	(465,774)
<u>Total Reserves Column</u>			
Balance at 31 March 2016	(640,233)	19,043	(621,190)
Balance at 31 March 2017	(549,648)	19,043	(530,605)

Note 15 – Property Plant and Equipment

	Original 31 March 2017 £000	Change £000	New 31 March 2017 £000
Infrastructure Assets Column			
Cost or Valuation			
At 1 April 2016	130,908	(30,265)	100,643
At 31 March 2017	137,419	(30,265)	107,154
Accumulated Depreciation			
At 1 April 2016	(27,185)	11,222	(15,963)
At 31 March 2017	(30,624)	11,222	(19,402)
Net Book Value at 31 March 2017	106,795	(19,043)	87,752
Net Book Value at 31 March 2016	103,723	(19,043)	84,680
Total Property Plant & Equipment Column			
Cost or Valuation			
At 1 April 2016	912,542	(30,265)	882,277
At 31 March 2017	926,041	(30,265)	895,776
Accumulated Depreciation			
At 1 April 2016	(68,368)	11,222	(57,146)
At 31 March 2017	(43,334)	11,222	(32,112
Net Book Value at 31 March 2017	882,707	(19,043)	863,664
Net Book Value at 31 March 2016	844,174	(19,043)	825,131

Note 25 – Unusable Reserves

	Original 31 March 2017 £000	Change £000	New 31 March 2017 £000
Capital Adjustment Account			
Balance at 1 April 2016	(588,637)	19,043	(569,594)
Balance at 31 March 2017	(543,165)	19,043	(524,122)

Note 3 - Accounting Standards Issued, Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully by the Council in the 2018/19 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.

These are as follows:

1. IFRS 9 Financial Instruments has been issued with an effect from 1 April 2018 and replaces IAS 39 Financial Instruments, Recognition and Measurement.

IFRS 9's main changes include a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, a forward looking 'expected loss' model for impairment rather than a 'incurred loss' model, and new provisions on hedge accounting. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through Other Comprehensive Income respectively based on the contractual cash flows and business model for holding the assets. The Government is consulting on a possible statutory override that may reduce or eliminate the impact of any unrealised gains or losses on the Council Tax payer. If this is forthcoming regulations to implement the override will be laid before the end of 2018/19. Before this is confirmed it is difficult to estimate the potential impact on the Council's finances. Assessment of the Council's financial assets does not anticipate any impairment

2. IFRS 15 Revenue from Contracts with Customers was issued in May 2014 but effective only from 1 January 2018, and replaces IAS 18 Revenue and IAS 11 Construction Contracts.

IFRS 15 provides a comprehensive standard for revenue recognition to address inconsistent practices, the core principle being that revenue depicts the 'expected entitlement'. It is considered that these changes will have a limited impact on LB Richmond which has a relatively predictable income streams.

3. IFRS 16 Leases was issued in January 2016 and is effective from 1 January 2019 which means that it is anticipated to apply to local authorities in the 2019/20 financial year.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 Leases and, instead, introduces a single lessee accounting model. This means that all leases for substantial assets with a term of more than 12 months will be accounted for by recognising a 'right-of-use' asset on the Balance Sheet, together with a lease liability initially measured at the present value of the unavoidable lease payments. In overall terms, this means that leases currently accounted for as operating leases would be treated similarly to finance leases (but recognising only a proportion of the asset's overall value). The effect of this standard as anticipated to take effect from 2019/20 will be assessed in the next financial year.

Note 4 - Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies 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, flexible capital receipts and reserves. An earmarked reserve has been established to help meet the cost of implementing future efficiency savings, including redundancy costs.
- The Council has a Trust; Orleans House Trust, that controls donated assets comprising of a historic building, adjacent properties, and an extensive art collection. During 2013/14 an on-going 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, the Council and RB Kingston set up the community interest company Achieving for Children (AfC) which provides their Childrens' Services. From August 2017 RB Windsor and Maidenhead has joined the company with respective shares now being 40% for both LB Richmond and RB Kingston, and 20% for RB Windsor and Maidenhead. The aim of AfC continues to be focused on providing high quality frontline services by creating economies of scale and reducing management and overhead costs. All 3 councils have control over the company and as such it is judged that the company is still a Joint Venture and consolidated Group Accounts continue to be presented in these Accounts.
- AfC has been assessed as a going concern. A loss of £9.0m has been reported in 2017/18 compared to a loss of £12.7m in 2016/17. AfC have also reported a trading loss for 2017/18 of £12.3m (£2.0m in 2016/17). Despite the significant accounting losses reported in 2017/18 the Board and Senior Leadership Team have made significant progress in identifying how these financial challenges will be met. The difference between this loss from continuing operations and the position for total comprehensive expense is due to re-measurement of the pension liability under IAS 19.

  AfC's Balance Sheet includes a net pension liability of £37.7m (£28.2m in 2016/17). This change reflects an increase in employer contribution rates form 15.5% to 16% for 2017/18 and the admission of RB Windsor and Maidenhead into the company. The majority of AfC's employees are members of the LGPS which is a defined benefit scheme. When AfC started trading on 1 April 2014, the majority of its staff transferred their employment from the Council into AfC under TUPE, which included transferring their membership of the LGPS to AfC. AfC is an employer in the LGPS scheme; within the 2 pension funds administered by RB Kingston and Wandsworth Council.

- Under the SSA many costs (largely staff costs) are shared between the 2 councils. Generally, the amounts charged to each council continue to be calculated by service area and apportioned according to each council's requirement for the SSA. A schedule is prepared and reviewed annually, and details the apportionment (and methodology) of the shared costs. Full details on the basis for sharing costs was approved by the Council in May 2016 and can be found at the following link: https://cabnet.richmond.gov.uk/documents/s61476/Appendix%201%20IAA.pdf

  The majority of costs are split between the two councils based upon the latest annual budget apportionments in each council unless they will never work jointly, in which case staff are charged to their respective council prior to the SSA. Non salary costs have not been charged as part of the SSA as in the main they are clearly attributable to a sovereign council. Running costs relating to staffing e.g. travel and expenses have been charged to their respective council and analysed to ensure similar apportionments have been incurred by LB Richmond and Wandsworth Council during 2017/18 as per previous historic data.

Note 5 - 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 2018 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 18 was £1,236.0m. A change in value of 1% on 20% (approximately 1 year of valuation) of that value is £2.5m. The average building asset life is 35 years so a change in useful life of 1 year would change depreciation by approximately £1.0m.

Pensions Liability

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

- Discount rate used.
- 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 42.

Arrears

At 31 March 2018 the Council had a balance of £16.6m in respect of sundry debtors. Of this debt £7.2m is with Government bodies, NHS bodies, schools and other local authorities. These are considered as having little or no risk. The remaining debt with commercial bodies and individuals is £9.4 m.

There is impairment for doubtful debts of £1.7m. 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 £1.0m to be set aside as an allowance for impairment.

Provisions

A large provision is made each year for backdated Business Rate appeals and to cover its potential loss from future Valuation Office Agency (VOA) decisions. This is £1.5m in 2017/18 (£2.7m in 2016/17). The calculation is based on the number of outstanding appeals and is adjusted for 2 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 £0.2m. A contingent liability has been disclosed for future appeals.

Interest Rates

The Council has borrowings of £3.2m and investments of £19.6m at 31 March 2018 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 £0.2m.

The financing of the capital programme for 2018/19 includes an estimated £20.4m borrowing. The impact of a 1% change in interest rates on this new borrowing would change the cost by £0.2m.

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 2017/18 the following material items were reported as part of the accounts:

The Council capitalised £0.8m of costs in setting up the SSA as allowed under the Flexible Use of Capital Receipts Strategy 2016/17-2018/19. This strategy allows councils to finance one off projects designed to deliver on-going efficiency savings from capital receipts within a 3 year period starting in 2016/17.

In 2017/18 a community building known as The Exchange (part of a wider development situated on London Road, Twickenham) was donated to the Council under a Section 106 agreement. The value of this asset is £4.5m and the permitted use of this building is detailed in the agreement.

Note 7 - Events After the Balance Sheet Date

None to report.

Note 8 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) is presented to demonstrate how the funding available to the Council (i.e. Government Grants, rents, Council Tax and Business Rates) has been used in providing services in comparison with those resources consumed by authorities in accordance with GAAP. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's 6 Directorates.

	2016/17				2017/18	
Net Expenditure Chargeable to the General Fund Balance	**Adjustments**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
58,321	1,500	59,821	Adults Social Services	54,974	3,709	58,683
39,992	26,315	66,307	AfC Client Side and Residual Functions	38,165	25,809	63,974
3,917	2,067	5,984	Chief Executive's Group	4,132	2,963	7,095
(41,211)	36,956	(4,255)	Central Items	(27,625)	24,290	(3,335)
21,142	5,803	26,945	Environment and Community Services	19,665	11,724	31,389
5,508	1,770	7,278	Housing and Regeneration	6,580	9,775	16,355
25,664	3,662	29,326	Resources	23,879	-2,606	21,273
113,333	**78,073**	**191,406**	**Net Cost of Services**	**119,770**	**75,664**	**195,434**
(113,333)	6,937	(106,396)	Other Income and Expenditure	(119,770)	(24,884)	(144,654)
0	**85,010**	**85,010**	**Surplus or Deficit on Provision of Services**	**0**	**50,780**	**50,780**
(9,956)			Opening Combined General Fund Balance	(9,956)		
(9,956)			**Closing Combined General Fund Balance**	**(9,956)**		

Note 8a - Note to the Expenditure and Funding Analysis

2017/18

	Net Capital Statutory Adjustments £0	Net Pensions Statutory Adjustments £0	Other Differences £0	Total Adjustments £0
Adults Social Services	1,018	2,547	144	3,709
AfC Client Side and Residual Functions	9,326	5,460	11,023	25,809
Chief Executive's Group	1,643	1,342	-22	2,963
Central Items	0	0	24,290	24,290
Environment and Community Services	11,531	3,513	(3,320)	11,724
Housing and Regeneration	3,556	828	5,391	9,775
Resources	99	(1,868)	(837)	(2,606)
Net Cost of Services	**27,173**	**11,822**	**36,669**	**75,664**
Other Income and Expenditure	0	7,045	(31,929)	(24,884)
Difference between the Statutory Charge and the (surplus) or deficit in the Comprehensive Income and Expenditure Statement	**27,173**	**18,867**	**4,740**	**50,780**

2016/17

	Net Capital Statutory Adjustments £0	Net Pensions Statutory Adjustments £0	Other Adjustments £0	Total Adjustments £0
Adults Social Services	978	1,178	(656)	1,500
AfC Client Side and Residual Functions	24,030	1,861	424	26,315
Chief Executive's Group	22	570	1,475	2,067
Central Items	0	(545)	37,501	36,956
Environment and Community Services	6,326	1,555	(2,078)	5,803
Housing and Regeneration	2,211	265	(706)	1,770
Resources	724	2,869	69	3,662
Net Cost of Services	**34,291**	**7,753**	**36,029**	**78,073**
Other Income and Expenditure	0	6,416	521	6,937
Difference between the Statutory Charge and the (surplus) or deficit in the Comprehensive Income and Expenditure Statement	**34,291**	**14,169**	**36,550**	**85,010**

Note 9 - Expenditure and Income Analysed by Nature

2016/17 £000	Nature of Expenditure or Income	2017/18 £000
(108,878)	Fees, charges and other service income	(86,054)
(2,892)	Interest and investment income	(2,261)
(136,277)	Income from local taxation	(142,673)
(229,827)	Government grants and contributions	(240,459)
129,233	Employee benefits expenses	144,821
2,827	Support service recharge expenditure	753
323,748	Other service expenses	299,663
33,368	Depreciation, amortisation and impairment	48,513
5,660	Interest payments	4,852
8,147	Precepts and levies	8,275
25	Payments to Housing Capital Receipts Pool	19
59,876	Gain or loss on disposal of non-current assets	15,331
85,010	**(Surplus) or deficit for year**	**50,780**

Note 10 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total CI&ES recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

2017/2018	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	21,319			(21,319)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	108			(108)
Council Tax and NDR (transfers to or from the Collection Fund)	2,053			(2,053)
Holiday pay (transferred to the Accumulated Absences reserve)	(238)			238
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	344,401		1,175	(345,576)
Total Adjustments to Revenue Resources	367,643	0	1,175	(368,818)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,431	(1,431)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(19)	19		
Home Loans Unit - Distribution of Capital Receipts	(300)	300		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	225			(225)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	4,317			(4,317)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,379			(3,379)
Total Adjustments between Revenue and Capital Resources	9,033	(1,112)	0	(7,921)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,042		(1,042)
Application of capital grants to finance capital expenditure				0
Cash payments in relation to deferred capital receipts		(208)		208
Total Adjustments to Capital Resources	0	834	0	(834)
Total Adjustments	**376,676**	**(278)**	**1,175**	**(377,573)**

2016/2017	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(111,112)			111,112
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	108			(108)
Council Tax and NDR (transfers to or from the Collection Fund)	(349)			349
Holiday pay (transferred to the Accumulated Absences reserve)	(781)			781
Reversal of entries included in the (surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(3,691)		(8,826)	12,517
Total Adjustments to Revenue Resources	(115,825)	0	(8,826)	124,651
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	962	(962)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(25)	25		
Home Loans Unit - Distribution of Capital Receipts	(120)	120		
Statutory Provision for the repayment of debt (transfer to the CAA)	4,086			(4,086)
Capital expenditure financed from revenue balances (transfer to the CAA)	4,976			(4,976)
Total Adjustments between Revenue and Capital Resources	9,879	(817)	0	(9,062)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	2,258	334		(2,592)
Application of capital grants to finance capital expenditure	17,472	0	1,340	(18,812)
Cash payments in relation to deferred capital receipts	2,848	(6)		2,842
Total Adjustments to Capital Resources	22,578	328	1,340	(24,246)
Total Adjustments	**(83,368)**	**(489)**	**(7,486)**	**91,343**

Note 11 - Transfers to/from Earmarked Reserves

	Balance at 1 April 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Dedicated Schools Grant Reserve	1,954	0	3,862	**5,816**	0	2,154	**7,970**
Schools' Balances Reserves	(9,730)	(901)	2,673	**(7,958)**	(5)	594	**(7,369)**
PFI Reserve (Education)	(4,100)	(570)	0	**(4,670)**	(650)	0	**(5,320)**
Council Tax Freeze Reserve	(6,286)	0	1,800	**(4,486)**	0	1,800	**(2,686)**
PFI Reserve (Social Services)	(3,210)	(217)	0	**(3,427)**	(14)	0	**(3,442)**
Richmond CCG Contributions Reserve	(3,526)	0	494	**(3,032)**	(149)	1,588	**(1,593)**
Section 106 Revenue Contributions Reserve	(3,379)	(674)	1,308	**(2,745)**	0	265	**(2,480)**
Repairs and Renewals Fund Reserve	(2,737)	(407)	473	**(2,671)**	(497)	192	**(2,976)**
Waste and Recycling Reserve	(2,134)	(209)	104	**(2,239)**	(620)	911	**(1,948)**
Invest to Save Fund Reserve	(2,135)	(2,402)	1,292	**(3,245)**	(3,661)	933	**(5,973)**
General Insurance Reserve	(1,241)	(331)	50	**(1,522)**	(7)	180	**(1,349)**
Learning Disability and Health Reform Grant Reserve	(1,059)	0	0	**(1,059)**	0	305	**(754)**
All in One Uplift Reserve	(1,160)	0	299	**(861)**	0	450	**(411)**
Climate Change Reserve	(505)	(42)	18	**(529)**	(26)	0	**(555)**
Section 256 Public Health Contributions Reserve	(502)	0	0	**(502)**	0	67	**(435)**
S31 NNDR Grants Reserve	(1,060)	0	750	**(310)**	0	300	**(10)**
Schools Maternity and Supply Cover Scheme Reserve	(313)	(921)	1,210	**(24)**	(303)	0	**(328)**
Other minor earmarked reserves under £500k	(4,330)	(920)	478	**(4,772)**	(607)	1,055	**(4,324)**
Total General Fund	**(45,453)**	**(7,594)**	**14,811**	**(38,236)**	**(6,539)**	**10,793**	**(33,983)**

Note 12 - Other Operating Expenditure

2016/17 £000		2017/18 £000
8,147	Levies	8,275
25	Payments to the Government Housing Capital Receipts Pool	19
53,647	Gains/losses on the Disposal of Non-Current Assets	15,331
120	Home Loans Unit - Distribution of Capital Receipts	300
61,939	**Total Other Operating Expenditure**	**23,925**

- Schools' buildings written off where a long lease has been granted at nil value to the academy or Voluntary Aided (VA) school now using the site. The value of school buildings written off in this way totals £16.2m.
- Following on from CIPFA's decision not to implement Highways Network Asset accounting, the Council undertook an exercise to review its infrastructure assets to ensure all were correctly identified in a way that allowed verification of their existence. This review found a number of assets (£19m) where identification was no longer possible, due to the level of information held in the current accounting system. The Council therefore took the decision to derecognise these assets in year. The accounting treatment for this is to show the book value as part of the net deficit on disposal as with all other assets written off as fully impaired. This is in line with the similar review of ICT assets during 2016/17.

Note 13 - Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
5,660	Interest payable and similar charges	4,852
6,416	Net interest on the net defined benefit liability (asset)	7,045
(2,327)	Interest receivable and similar income	(2,261)
(1,392)	Income and expenditure in relation to investment properties and changes in their fair value	(510)
8,357	**Total**	**9,126**

At the end of 2016/17 the Council ceased its remaining trading account which previously was for minor transport services within Environmental and Community Services. In 2017/18 as a result there is no trading account gross expenditure within Financing and Investment (gross expenditure for trading accounts for 16/17 was £1.3m).

Note 14 - Taxation and Non-Specific Grant Income

The Council credited the following grants, contributions and donations to Taxation and Non-Specific Grant Income in the CI&ES:

2016/17 £000		2017/18 £000
(115,226)	Council Tax income	(120,550)
(21,051)	Non-domestic rates income and expenditure	(22,124)
(17,002)	Non-ringfenced government grants	(8,034)
(23,413)	Capital grants and contributions	(26,997)
(176,692)	**Total**	**(177,705)**

Note 15 - Property, Plant and Equipment

Movements in Property, Plant and Equipment (PP&E) 2017/18 are as follows:

Movements to 31 March 2018

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
at 1 April 2017	715,991	21,351	107,154	20,583	18,703	11,994	**895,776**
Additions	6,792	1,204	3,333	0	0	18,592	**29,921**
Donations	4,502	0	0	0	0	0	**4,502**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	372,118	0	0	0	469	0	**372,587**
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the Provision of Services	(22,092)	0	0	0	(149)	0	**(22,241)**
Derecognition – disposals	0	0	0	0	(632)	0	**(632)**
Derecognition – other	(16,800)	0	0	0	0	0	**(16,800)**
Reclassifications and transfer	17,364	(8,795)	0	0	0	(8,764)	**(195)**
at 31 March 2018	**1,077,875**	**13,760**	**110,487**	**20,583**	**18,391**	**21,822**	**1,262,918**
Accumulated Depreciation and Impairment							
at 1 April 2017	(2,757)	(9,721)	(19,402)	(101)	(131)	0	**(32,112)**
Depreciation charge	(9,183)	(1,451)	(2,733)	0	(39)	0	**(13,406)**
Depreciation written out to the Revaluation Reserve	10,389	0	0	0	40	0	**10,429**
Depreciation written out to the (surplus)/deficit on the Provision of Services	925	0	0	0	0	0	**925**
Derecognition – other	446	0	0	0	0	0	**446**
Reclassifications and transfers	(1,486)	1,486	0	0	0	0	**0**
at 31 March 2018	**(1,666)**	**(9,686)**	**(22,135)**	**(101)**	**(130)**	**0**	**(33,718)**
Net Book Value							
at 31 March 2018	**1,076,209**	**4,074**	**88,352**	**20,482**	**18,261**	**21,822**	**1,229,200**
at 31 March 2017	**713,234**	**11,630**	**87,752**	**20,482**	**18,572**	**11,994**	**863,664**

Restated 2016/17 Property, Plant and Equipment

Movements to 31 March 2017

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2016	709,511	28,992	100,643	25,885	14,738	2,508	**882,277**
Additions	28,365	520	6,537	524	0	5,088	**41,034**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	56,417	2,470	0	0	4,870	0	**63,757**
Revaluation increases/(decreases) recognised in the (Surplus)/deficit on the Provision of Services	(23,184)	(682)	0	10	0	0	**(23,856)**
Derecognition – disposals	(58,907)	(8,002)	(26)	(191)	(310)	0	**(67,436)**
Reclassifications and transfer	3,789	(1,947)	0	(5,645)	(595)	4,398	**0**
at 31 March 2017	**715,991**	**21,351**	**107,154**	**20,583**	**18,703**	**11,994**	**895,776**
Accumulated Depreciation and Impairment							
at 1 April 2016	(25,064)	(16,108)	(15,963)	0	(11)	0	**(57,146)**
Depreciation charge	(10,308)	(2,894)	(3,465)	(101)	(34)	0	**(16,802)**
Depreciation written out to the Revaluation Reserve	24,460	3,111	0	0	39	0	**27,610**
Depreciation written out to the (Surplus)/deficit on the Provision of Services	6,351	588	0	0	0	0	**6,939**
Derecognition – disposals	2,336	4,925	26	0	0	0	**7,287**
Reclassifications and transfers	(532)	657	0	0	(125)	0	**0**
at 31 March 2017	**(2,757)**	**(9,721)**	**(19,402)**	**(101)**	**(131)**	**0**	**(32,112)**
Net Book Value							
at 31 March 2017	**713,234**	**11,630**	**87,752**	**20,482**	**18,572**	**11,994**	**863,664**
at 31 March 2016	**684,447**	**12,884**	**84,680**	**25,885**	**14,727**	**2,508**	**825,131**

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 a RICS qualified valuer.
- Vehicles, plant, furniture and equipment – estimated useful life on acquisition.
- Infrastructure – 40 years.

Capital Commitments

At 31 March 2018, the Council had entered into a number of on-going contracts for the construction or enhancement of Property, Plant and Equipment. The table below shows the detail of contracts over £100k.

2016/17 £000	Capital Scheme	2017/18 £000
0	Barnes - expansion	4,000
0	Busen TAVR	1,290
415	Strathmore at Grey Court	725
0	Malden Oaks (Strathmore site) - alternative provision	600
0	Meadlands Primary	435
19,603	Richmond Upon Thames College - construction	0
1,558	Vineyard Primary	0
1,265	East Sheen School - expansion	0
368	Strathmore at Russell	0
282	Stanley Primary School - phase 1 expansion	0
86	Other schemes under £100k	225
23,491	**Total**	**7,275**

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 has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 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. For 2017/18, the Council's external valuer (Wilks Head and Eve) was asked to assess all land and building assets subject to revaluation, as a response to changing market conditions (for example, the impact of Brexit) and the level of change at the Council. These valuations were dated 31 January 2018. 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.

Note 16 - Heritage Assets

Movements in heritage assets are as follows:

2017/18	Art Collection	Land and Buildings	Civic Regalia	Total
	£000	£000	£000	£000
Opening Balance	1,938	282	572	2,792
Acquisitions	0	0	0	0
Disposals	0	0	0	0
Depreciation	0	(5)	0	(5)
Closing Balance	**1,938**	**277**	**572**	**2,787**

2016/17	Art Collection	Land and Buildings	Civic Regalia	Total
	£000	£000	£000	£000
Opening Balance	1,938	276	572	2,786
Acquisitions	0	11	0	11
Depreciation	0	(5)	0	(5)
Closing Balance	**1,938**	**282**	**572**	**2,792**

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 Borough. The collections are held in Orleans House Gallery and York House.

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. Valuation is undertaken for insurance purposes, and while estimated value is updated annually on renewal of cover, only valuations used for insurance contract letting are used to update the Asset Register.

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

Note 17 - Investment Properties

31 March 2017		31 March 2018
£000		£000
	Investment Property Income and Expenditure	
(565)	Rental income from investment property	(673)
23	Direct operating expenses from investment property	5
(72)	Other income and expenditure	0
(614)	**Net (gain)/loss**	**(668)**

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 Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The above items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CI&ES.

31 March 2017		**31 March 2018**
Non-Current £000	**Investment Properties Movements in Year**	**Non-Current £000**
17,290	Opening Balance	18,140
(72)	Disposals	0
922	Net gains/losses from fair value adjustments	(158)
18,140	**Balance at the end of the year**	**17,982**

Note 18 - Long Term Liabilities

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

31 March 2017 £000		**31 March 2018 £000**
(7,772)	Primary schools PFI	(7,500)
(6,776)	Voluntary aided schools PFI	(6,540)
(7,063)	Residential care homes PFI	(6,423)
(4,481)	Lease liabilities	(4,268)
(266,317)	Pension Fund - Defined Benefit	(244,998)
(292,409)	**Balance at the end of the year**	**(269,729)**

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 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 (see Note 42).

Note 19 - 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.

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

Financial Instruments

	Long-term	Long-term	Current	Current
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Investments				
Loans and receivables	750	750	20,649	7,129
Total investments	**750**	**750**	**20,649**	**7,129**
Debtors				
Loans and receivables	14,566	14,562	10,131	51,229
PFI debtor - future amounts from VA schools	6,777	6,540	217	218
Other	0	2,501	0	0
Total included in Debtors	**21,343**	**23,603**	**10,348**	**51,447**
Borrowings				
Financial liabilities at amortised cost	(106,462)	(112,742)	(3,893)	(6,373)
Total included in Borrowings	**(106,462)**	**(112,742)**	**(3,893)**	**(6,373)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(26,092)	(24,731)	(1,258)	(1,363)
Total other long term liabilities	**(132,554)**	**(137,472)**	**(5,151)**	**(7,736)**
Creditors				
Financial liabilities at amortised cost	0	0	(17,942)	(30,844)
Other	0	(24)	0	0
Total Creditors	**0**	**(24)**	**(17,942)**	**(30,844)**

Income, Expense, Gains and Losses

2018

	Financial Liabilities: Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	4,905	0	0	0	4,905
Total expense in (Surplus) or deficit on the Provision of Services	**4,905**	**0**	**0**	**0**	**4,905**
Interest income	0	(2,261)	0	0	(2,261)
Total income in (Surplus) or deficit on the Provision of Services	**0**	**(2,261)**	**0**	**0**	**(2,261)**
Net (gain)/loss for the year	**4,905**	**(2,261)**	**0**	**0**	**2,644**

2017

	Financial Liabilities: Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	5,660	0	0	0	5,660
Total expense in (Surplus) or deficit on the Provision of Services	**5,660**	**0**	**0**	**0**	**5,660**
Interest income	0	(2,327)	0	0	(2,327)
Total income in (Surplus) or deficit on the Provision of Services	**0**	**(2,327)**	**0**	**0**	**(2,327)**
Net (gain)/loss for the year	**5,660**	**(2,327)**	**0**	**0**	**3,333**

Fair Values of Assets and Liabilities:

Financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost.

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).

	31 March 2018		31 March 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Loans and Receivables	7,879	7,912	21,399	21,751
Long Term Debtors	14,562	28,310	14,566	29,388
	22,441	**36,222**	**35,965**	**51,139**

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.

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).

	31 March 2018		31 March 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial Liabilities held at Amortised Cost	(119,115)	(131,593)	(110,355)	(140,180)
PFI and finance lease liabilities	(26,094)	(31,696)	(27,350)	(39,666)
	(145,209)	**(163,289)**	**(137,705)**	**(179,846)**

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. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Public Works Loans Board (PWLB) loans are valued using the PWLB Premature Repayment Rate. The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest Rate. The PWLB loans outstanding (£109.9m) had a fair value of £135.5m at 31 March 2018.

Note 20 - Debtors

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

31 March 2017 £000		31 March 2018 £000
4,464	Central Government Bodies	7,573
8,232	Other Local Authorities	16,117
6,730	NHS Bodies	7,407
29,302	Other Entities and Individuals	32,315
48,728	**Total Debtors**	**65,412**

The 2017/18 debtor balance of is net of £12m bad debt provision.

The table below summarises the Long Term Debtors by organisation type:

31 March 2017 £000		31 March 2018 £000
21,343	Other Local Authorities	21,102
2,513	Other Entities and Individuals	2,501
23,856	**Total Debtors**	**23,603**

£14.6m of other local authorities long term debtors in 2017/18 is the loan to the West London Waste Authority (WLWA) (unchanged from 2016/17).

Note 21 - Cash and Cash Equivalents

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

31 March 2017 £000		31 March 2018 £000
(3,774)	Cash and Bank balances	(558)
18,700	Short Term Investments	0
0	Short Term Deposits	19,605
14,926	**Total Cash and Cash Equivalents**	**19,046**

Note 22 - Creditors

31 March 2017 £000		31 March 2018 £000
(4,505)	Central Government Bodies	(5,991)
(7,345)	Other Local Authorities	(10,456)
(1,860)	NHS Bodies	(245)
(32,778)	Other Entities and Individuals	(39,542)
(46,488)	**Total Creditors**	**(56,234)**

Note 23 - Provisions

Current Provisions

2017/18	Central Insurance Fund	Business Rates Appeals	Other Provisions	Total
	£000	**£000**	**£000**	**£000**
Opening Balance	(102)	(2,726)	(1,353)	(4,181)
Increase in provision during year	(184)	(398)	(15)	(597)
Utilised during year	65	1,640	552	2,258
Unused Amounts Reversed	36	0	0	36
Closing Balance	**(184)**	**(1,484)**	**(816)**	**(2,484)**

2016/17	Central Insurance Fund	Business Rates Appeals	Other Provisions	Total
	£000	**£000**	**£000**	**£000**
Opening Balance	(417)	(2,953)	(386)	(3,756)
Increase in provision during year	(102)	(940)	(1,352)	(2,394)
Utilised during year	4	1,167	385	1,556
Unused Amounts Reversed	413	0	0	413
Closing Balance	**(102)**	**(2,726)**	**(1,353)**	**(4,181)**

Long Term Provisions

2017/18	Central Insurance Fund	Total
	£000	**£000**
Opening Balance	(879)	(879)
Increase in provision during year	(1,059)	(1,059)
Utilised during year	69	69
Unused Amounts Reversed	810	810
Other movements	0	0
Closing Balance	**(1,059)**	**(1,059)**

2016/17	Central Insurance Fund	Total
	£000	**£000**
Opening Balance	(710)	(710)
Increase in provision during year	(879)	(879)
Utilised during year	113	113
Unused Amounts Reversed	597	597
Closing Balance	**(879)**	**(879)**

2016/17	Total Provisions	2017/18
£000		**£000**
(4,466)	Opening Balance	(5,060)
(3,273)	Increase in provision during year	(1,656)
1,669	Utilised during year	2,327
1,010	Unused Amounts Reversed	847
(5,060)	**Closing Balance**	**(3,543)**

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 received and 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 £0.65m will be paid for total Material Damage to Property, and no more than £1.2m 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 1 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 2018 is £4.9m compared to £9.1m at 31 March 2017 (included in the Collection Fund) and the Council's share of this liability is £1.5m compared to £2.7m for 2016/17 (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 as it is unable to estimate the impact of appeals that have not yet been lodged with the VOA.

Note 24 - Usable Reserves

Movements in the Council's usable reserves are detailed in the MiRS

Capital Receipts Reserve

31 March 2017 £000		31 March 2018 £000
(2,191)	Balance 1 April	(2,680)
(3,220)	Capital Receipts in year	(1,656)
(6)	Deferred Receipts realised	16
25	Capital Receipts Pooled	19
120	Home Loans Unit - Distribution of Capital Receipts	300
2,592	Capital Receipts used for financing	1,042
(2,680)	**Balance 31 March**	**(2,959)**

Capital Grants Unapplied

31 March 2017 £000		31 March 2018 £000
(6,473)	Balance 1 April	(13,959)
(8,826)	Capital grants recognised in year	(26,998)
1,340	Capital grants and contributions applied	28,164
(13,959)	**Balance 31 March**	**(12,793)**

Note 25 - Unusable Reserves

31 March 2017 £000 Restated		31 March 2018 £000
(193,001)	Revaluation Reserve	(568,217)
(524,122)	CAA	(503,218)
687	Financial Instruments Adjustment Account	579
266,317	Pension Reserve	244,998
(16,438)	Deferred Capital Receipts Reserve	(16,454)
(1,847)	Collection Fund Adjustment Account	(3,900)
2,628	Accumulated Absences Account	2,866
(465,776)	**Total**	**(843,346)**

Revaluation Reserve

31 March 2017 £000		31 March 2018 £000
(129,580)	**Balance 1 April**	(193,001)
(106,331)	Upward revaluation of assets	(415,252)
14,964	Downward revaluation of assets and impairment losses not charged to the (Surplus) or deficit on the Provision of Services	32,236
(91,367)	**(Surplus) or deficit on revaluation of non-current assets not charged to the (Surplus) or deficit on the Provision of Services**	**(383,016)**
5,737	Difference between fair value depreciation and historical cost depreciation	3,489
22,209	Accumulated gains on assets sold or scrapped	4,311
27,946	**Amount written off to the CAA**	**7,800**
(193,001)	**Balance 31 March**	**(568,217)**

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 CAA.

Capital Adjustment Account

31 March 2017 £000 (Restated)		31 March 2018 £000
(569,594)	**Balance 1 April**	(524,122)
9,874	Charges for depreciation and impairment of non-current assets	13,411
23,856	Revaluation losses on non-current assets	21,316
68	Amortisation of intangible assets	18
10,757	Revenue expenditure funded from capital under statute	13,743
60,279	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,987
104,835	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	65,475
(27,946)	Adjusting Amounts written out of the Revaluation Reserve	(7,800)
76,889	**Net written out amount of the cost of non-current assets consumed in the year**	57,675
(2,592)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,042)
(18,812)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(28,164)
(4,114)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(4,317)
(4,976)	Capital expenditure charged against the General Fund and HRA balances	(3,379)
(30,494)	**Capital financing applied in year:**	(36,902)
(922)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	158
0	Other – Lease adjustments	(28)
(524,122)	**Balance 31 March**	**(503,219)**

The CAA 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Financial Instruments Adjustment Account

31 March 2017 £000		31 March 2018 £000
795	**Balance 1 April**	687
(108)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(108)
(108)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(108)
687	**Balance 31 March**	579

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 CI&ES when they are incurred, but reversed out of the General Fund balance to the Account in the MiRS. 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 2018 will be charged to the General Fund over the next 6 years.

Pension Reserve

31 March 2017 £000		31 March 2018 £000
155,205	Balance 1 April	266,317
96,943	Remeasurements of the net defined benefit (liability)/asset	(40,187)
28,483	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	34,180
(14,314)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,312)
266,317	**Balance 31 March**	**244,998**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES 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 authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Deferred Capital Receipts Reserve

31 March 2017 £000		31 March 2018 £000
(13,596)	Balance 1 April	(16,438)
(2,848)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(225)
6	Transfer to the Capital Receipts Reserve upon receipt of cash	208
(16,438)	**Balance 31 March**	**(16,455)**

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.

Collection Fund Adjustment Account

31 March 2017 £000		31 March 2018 £000
(2,195)	Balance 1 April	(1,847)
348	Amount by which Council Tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(2,053)
(1,847)	**Balance 31 March**	**(3,900)**

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

Accumulated Absences Account

31 March 2017 £000		31 March 2018 £000
1,848	**Balance 1 April**	2,628
(1,850)	Settlement or cancellation of accrual made at the end of the preceding year	(2,630)
2,630	Amounts accrued at the end of the current year	2,868
780	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	238
2,628	**Balance 31 March**	**2,866**

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.

Note 26 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2017 £000		31 March 2018 £000
(2,327)	Interest received	(2,286)
5,660	Interest paid	4,714
3,333	**Total**	**2,428**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2017 £000		31 March 2018 £000
(16,807)	Depreciation	(13,411)
(16,923)	Impairment and downward valuations	(21,316)
(68)	Amortisation	(18)
(9,651)	(Increase)/decrease in creditors	(6,319)
10,659	Increase/(decrease) in debtors	15,452
(16)	Increase/(decrease) in inventories	(26)
(14,169)	Movement in pension liability	(13,169)
(60,279)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(16,987)
3,738	Other non-cash movements charged to the (surplus) or deficit on provision of services	1,731
(103,517)	**Total**	**(54,063)**

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

31 March 2017 £000		31 March 2018 £000
6,068	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,880
(2,841)	Any other items for which the cash effects are investing or financing cash flows	26,998
3,227	**Total**	**28,878**

Note 27 - Cash Flow from Investing Activities

31 March 2017 £000		31 March 2018 £000
42,777	Purchase of property, plant and equipment, investment property and intangible assets	30,828
0	Purchase of short-term and long-term investments	154,400
(3,226)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(657)
(1,285)	Proceeds from short-term and long-term investments	(167,900)
0	Other receipts from investing activities	(34,190)
38,266	**Net cash flows from investing activities**	**17,519**

Note 28 - Cash Flow from Financing Activities

31 March 2017 £000		31 March 2018 £000
(15,000)	Cash receipts of short-term and long-term borrowing	(10,007)
(1,607)	Other receipts from financing activities	0
922	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	999
3,663	Repayments of short-term and long-term borrowing	1,385
193	Other payments for financing activities	(4,573)
(11,829)	**Net cash flows from financing activities**	**(12,196)**

Note 29 - Acquired and Discontinued Operations

None to report.

Note 30 - Pooled Budgets

The Council has 3 pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2018. These are:

The Better Care Fund (BCF) with Richmond CCG was 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, shifting the focus of care from hospital to community provision. 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.

2016/17 £000	**Better Care Fund**	**2017/18 £000**
(1,056)	Authority Funding	(6,390)
(10,786)	Partner Funding	(5,275)
(11,842)	Total Pooled Funding	(11,665)
1,056	Authority Expenditure	6,390
10,786	Partner Expenditure	5,275
11,842	Expenditure	11,665
0	**Net (Surplus)/deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net (Surplus) / deficit**	**0**

The Council entered into a S75 agreement in April 2015 to operate a Joint Integrated Rapid Response 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. 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. The Council is not responsible for any share of the £0.1m deficit in 2017/18.

2016/17 £000	**Rapid Response Service**	**2017/18 £000**
(1,633)	Authority Funding	(1,710)
(1,250)	Partner Funding	(1,246)
(2,883)	Total Pooled Funding	(2,956)
1,259	Authority Expenditure	1,103
2,239	Partner Expenditure	1,977
3,498	Expenditure	3,080
615	**Net (Surplus)/deficit on the Pooled Budget**	**124**
347	**Authority Share of the Net (Surplus) / deficit**	**0**

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

2016/17 £000	**Joint Integrated Community Equipment Service**	**2017/18 £000**
(563)	Authority Funding	(563)
(563)	Partner Funding	(563)
(1,126)	Total Pooled Funding	(1,126)
693	Authority Expenditure	527
693	Partner Expenditure	527
1,386	Expenditure	1,054
260	**Net (Surplus)/deficit on the Pooled Budget**	**(72)**
130	**Authority Share of the Net (Surplus) / deficit**	**(36)**

Note 31 - 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 on the Council's website. The total payments made to Members are:

31 March 2017 £'000		**31 March 2018 £'000**
688	Allowances	686
688	**Total Members' Allowances**	686

Note 32 - Officers' Remuneration

The Council entered into the SSA with Wandsworth Council from 1 October 2016. The tables below set out the remuneration disclosures for senior officers whose salary is £50,000 or more per year, an analysis of exit packages paid during the year, and senior officers whose remuneration exceeded £150,000 are named. All tables detailed below represent Richmond's proportion of salary costs with the remaining balance being charged to Wandsworth.

2017/18	**Note**	**Total Salary, Fees and Allowances**	**Compensation for loss of office**	**Pension Contribution**	**Total**
		£	**£**	**£**	**£**
Post Holder					
Chief Executive - Paul Martin	1	92,395	0	16,683	109,078
Director of Children's Services - Robert Henderson	2	129,545	0	23,318	152,863
Director of Resources and Deputy Chief Executive - Mark Maidment	3	63,892	0	11,501	75,393
Director of Adult Social Services - Liz Bruce	4	64,390	0	0	64,390
Director of Adult Social Services - Cathy Kerr	4	10,000	0	0	10,000
Director of Environment and Community Services - Paul Chadwick	5	58,302	0	10,494	68,796
Director of Housing and Regeneration - Brian Reilly	6	65,836	0	11,900	77,736
Director of Public Health	7	45,084	0	6,944	52,028
Deputy Director of Environment and Community Services	8	54,827	0	9,887	64,714
Assistant Director (Operations)	9	51,045	0	9,223	60,268
Head of ICT	10	52,679	0	9,537	62,216
Assistant Chief Executive (Customer and Partnerships)	11	35,090	0	6,316	41,406
Assistant Chief Executive (Policy and Performance)	12	36,534	0	6,610	43,114

2016/17	Note	Total Salary, Fees and Allowances	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£
Chief Executive - Paul Martin	1	41,892	0	7,364	49,256
Chief Executive - Gillian Norton	1	62,292	0	0	62,292
Director of Children's Services - Robert Henderson	2	113,373	0	19,713	133,086
Director of Children's Services - Nick Whitfield	2	85,662	0	14,765	100,427
Director of Resources and Deputy Chief Executive - Mark Maidment	3	100,402	0	17,452	117,854
Director of Adult Social Services - Cathy Kerr	4	151,390	97,534	24,562	273,486
Director of Environment and Community Services - Paul Chadwick	5	91,434	0	15,891	107,325
Director of Housing and Regeneration - Brian Reilly	6	30,596	0	5,396	35,992
Director of Public Health	7	20,819	0	3,438	24,257
Deputy Director of Environment and Community Services	8	24,866	0	4,353	29,219
Assistant Director (Operations)	9	17,959	0	3,164	21,123
Head of ICT	10	23,691	0	700	24,391
Assistant Chief Executive (Customer and Partnerships)	11	74,198	0	12,979	87,177
Assistant Chief Executive (Policy and Performance)	12	16,600	0	2,937	19,537

The annual remuneration includes pension contributions at 18% of officer's basic salary and is included in the table above.

Notes:

Note 1 – The Chief Executive is the Head of the Paid Service. Paul Martin became the joint Chief Executive of LB Richmond and Wandsworth Council in October 2016, following the retirement of Gillian Norton. The Chief Executive's full year remuneration across the SSA in 2017/18 was £294,805.

Note 2 – Director of Children's Services - Robert Henderson is a joint Director with the RB Kingston. The above figures show the full cost of this post for the year but the Council has been reimbursed for 50% of the cost. Nick Whitfield became Chief Executive of AfC in November 2016 and is now paid directly by AfC.

Note 3 - Director of Resources and Deputy Chief Executive – total remuneration across the SSA in 2017/18 was £203,765.

Note 4 – Director of Adult Social Services commenced in the post on 3 April 2017. The total remuneration across the SSA for 2017/18 was £174,028. The previous post holder left the Council on 31 March 2017.

Note 5 - Director of Environment and Community Services: total remuneration across the SSA in 2017/18 was £185,935.

Note 6 - Director of Housing and Regeneration: total remuneration across the SSA in 2017/18 was £210,097.

Note 7 – Director of Public Health: total remuneration across the SSA in 2017/18 was £140,618.

Note 8 - Director of Environment and Community Services: total remuneration across the SSA in 2017/18 was £185,935.

Note 9 – Assistant Director (Operations): total remuneration across the SSA in 2017/18 was £150,671.

Note 10 - Head of ICT: total remuneration across the SSA in 2017/18 was £163,726.

Note 11 – Assistant Chief Executive (Customer and Partnerships): total remuneration across the SSA in 2017/18 was £145,402, of which £33,492 was funded by Croydon Council to reflect the post holder's temporary part time secondment to the post of Corporate Programme Director at Croydon.

Note 12 – Assistant Chief Executive (Policy and Performance): total remuneration across the SSA in 2017/18 was £116,606.

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, where LB Richmond's proportion of costs is greater than £50,000.

Remuneration Band	**Number of Employees 2017/18**	**Number of Employees 2016/17**
£50,000 - £54,999	45	51
£55,000 - £59,999	19	33
£60,000 - £64,999	18	16
£65,000 - £69,999	13	18
£70,000 - £74,999	14	14
£75,000 - £79,999	7	8
£80,000 - £84,999	2	6
£85,000 - £89,999	6	2
£90,000 - £94,999	3	5
£95,000 - £99,999	1	0
£100,000 - £104,999	1	2
£105,000 - £109,999	1	1
£110,000 - £114,999	0	1
£125,000 - £129,999	1	0
£135,000 - £139,999	0	1
£245,000 - £249,999	0	1
Total	**131**	**159**

Included in the above figures are teaching and other staff that work in schools (93 in 2017/18 and 89 in 2016/17). A number of officers with a salary greater than £50,000 employed by the SSA are excluded from the table above as Richmond's element of the costs is below £50,000. The numbers have decreased in 2017/18 as this is a full year of SSA and sharing of costs.

The number and cost of exit packages are included in the following table.

Exit packages	**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**	
	2017/18 No'	**2016/17 No'**	**2017/18 No'**	**2016/17 No'**	**2017/18 No'**	**2016/17 No'**	**2017/18 £000**	**2016/17 £000**
£0 - £20,000	6	21	11	19	17	40	126	371
£20,001 - £40,000	3	15	8	16	11	31	283	918
£40,001 - £60,000	0	3	2	2	2	5	102	223
£80,001 - £100,000	0	2	1	0	1	2	85	179
£100,000 - 150,000	0	2	0	0	0	2	0	262
Above £150,000	0	1	0	1	0	2	0	418
Other (see note below)	-	-	-	-	-	-	405	-
Total	**9**	**44**	**22**	**38**	**31**	**82**	**1,001**	**2,371**

The total cost of £1m for 2017/18 (£2.4m for 2016/17) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CI&ES in the current year. This includes a provision of £15k for redundancy costs agreed. There is a cost of £0.4m which relates to actual cost for exit packages that were higher than estimated provision. The high figure of exit packages and associated costs in 2016/17 was due to the commencement of the SSA.

Note 33 - External Audit Costs

The Council has incurred the following costs from Grant Thornton in 2017/18.

2016/17 £000		2017/18 £000
92	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	92
13	Fees payable in respect of other services provided by external auditors during the year	15
105	**Total**	**107**

Note 34 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. 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 2017/18 are:

Notes	DSG Receivable for 2017/18	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			(145,321)
B	Academy figure recouped for year			42,280
C	Total DSG after academy recoupment			**(103,041)**
D	Plus: Brought forward from previous year			5,816
F	Agreed initial budgeted distribution in year	**0**	**0**	**(97,225)**
G	In year adjustments	0	832	832
H	Final budget distribution for year	**0**	**832**	**(96,393)**
I	Less: Actual central expenditure	25,071		25,071
J	Less: Actual ISB deployed to schools		79,292	79,292
L	**Carry forward to 2018/19**	**25,071**	**80,124**	**7,970**

Note 35 - Grant Income

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

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2017 £000		31 March 2018 £000
(12,334)	Revenue Support Grant	(3,453)
0	Free Schools Capital Grant	(12,236)
(2,971)	Transport for London Grant	(3,487)
(6,618)	Basic Need Grant	(2,930)
(2,910)	Transitional Grant	(2,920)
(6,546)	CIL Contributions	(1,916)
(1,677)	S106 Contributions	(1,705)
(758)	Section 31 NNDR Grants	(1,662)
0	Disabled Facilities Grant	(1,595)
0	HLF Capital Grant for Orleans House Gallery	(1,042)
0	Schools Conditions Allocation Grant	(555)
(2,761)	Site Purchase Grant	0
(1,021)	Maintenance Grant	0
(1,000)	Transformation Challenge Grant	0
(1,259)	Other Capital Grants under £500k	(1,082)
(560)	Other Capital Contributions under £500k	(450)
(40,415)	**Total**	**(35,032)**

The Council credited the following grants, contributions and donations to Cost of Service in the CI&ES:

Credited to Services

31 March 2017 £000		31 March 2018 £000
(96,976)	Dedicated Schools Grant	(102,209)
(68,159)	Housing Benefit Grant	(64,622)
(9,762)	Public Health Grant	(9,521)
(5,968)	Better Care Fund Grant	(6,390)
(4,024)	Other Grants under £500k	(4,196)
(3,927)	New Homes Bonus Grant	(3,335)
(3,074)	Pupil Premium Grant	(3,062)
(2,597)	Free School Meals Grant	(2,614)
(1,034)	Schools' PFI Contributions	(1,682)
(1,342)	Schools' PFI Grant	(1,342)
0	Partners in Practice Grant	(1,214)
(735)	Asylum Seeker Grant	(859)
(852)	PFI Grant	(852)
0	Adult Social Care Support	(664)
(401)	Schools Sport and Physical Education Grant	(612)
0	Flexible Homeless Grant	(594)
(1,762)	Educational Central Services Grant	(494)
(532)	Place Funding Grant	(413)
(1,080)	Other Health Authority Contributions	(398)
(1,568)	Section 106 Contributions	0
(1,056)	Disabled Facilities Grant	0
(1,017)	Schools' Contributions	0
(666)	VASIS Information System Grant	0
(642)	Heritage Lottery Fund Grant for Orleans House Gallery	0
(566)	Other Contributions under £500k	(258)
0	Donations	(3)
(207,740)	**Total**	**(205,334)**

The Council 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 Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2017 £000		31 March 2018 £000
0	Basic Need Grant	(1,744)
0	**Total**	**(1,744)**

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2017 £000		31 March 2018 £000
(4,231)	Partners in Practice Innovation Programme Grant	(3,017)
(796)	Other Grants under £500k	(1,160)
0	Dedicated Schools Grant	(832)
(975)	Care Act Grant	(536)
(105)	Other Contributions under £500k	0
(6,107)	**Total**	**(5,545)**

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31 March 2017 £000		31 March 2018 £000
(856)	Devolved Formula Capital Grant	(836)
0	Schools Conditions Allocation Grant	(590)
(191)	Other Grants under £500k	(79)
(48)	Other Contributions under £500k	(58)
(36)	Section 106 Contributions	(36)
0	Donated Assets	(4,502)
(1,131)	**Total**	**(6,101)**

Grants Receipts in Advance (Revenue Grants) - Long Term Liabilities

31 March 2017 £000		31 March 2018 £000
(1,436)	S106 Contributions	(1,100)
(1,436)	**Total**	**(1,100)**

Note 36 - 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.

This disclosure note has been prepared based on declarations made in respect of related party transactions by the Members of LB Richmond and senior officers employed by the SSA.

There are no material related party transactions with Chief Officers, Members, or their related persons with the exceptions of the following:

Central 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 35 as well as liabilities outstanding at the year-end in relation to those grants.

In addition to the above, the Leader of the Council (until July 2017) is a member of the House of Lords. Lord True stepped down from the post of Leader in July 2017.

West London Waste Authority

WLWA is a waste disposal authority composed of 6 London Borough councils: Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond. Cllr Fleming was a Council appointed representative. The Council advanced a loan of £0.2m to WLWA during the year. £1.8m was received in principal and interest payments on the loan.

Richmond Housing Partnership (RHP)

RHP is a registered housing association which provides social housing on behalf of the Council. Cllr Speak was a director and Cllr Curran was a leaseholder with RHP. Payments totalling £0.7m were made to RHP for supported and other housing services. The Council received £0.1m from the company for services provided during the year.

NHS Richmond Clinical Commissioning Group (RCCG)

RCCG organise the delivery of NHS services for the borough. LB Richmond became responsible for continuing health care during 2016/17; the Council makes payments on the behalf of the RCCG and is then reimbursed. The former Director of Adult and Community Services, Cathy Kerr, was a Council nominated representative. The council made payments of £2.9m to RCCG for non-contract services. During the year, £17.4m was reimbursed from RCCG for payments made on their behalf.

SPEAR

SPEAR is a provider of homeless and supported living services for residents. Cllr Cardy and Cllr Healy were trustees of the charity. During 2017/18, the Council made payments of £0.7m to SPEAR for grants and contributions to rough-sleeping initiatives.

South West Middlesex Crematorium Board (SWMCB)

The Board was composed of Cllrs of 5 borough councils: Ealing, Hillingdon, Hounslow, Richmond, and Spelthorne. Cllr Butler, Mr G. Elliott and Ms S. Nicholson were members on the Board. Mr M. Maidment (Director or Resources and Deputy Chief Executive) was Treasurer to the Board. The Council has a loan of £1.6m from the SWMCB. During the year, the Council has paid interest on this loan. Minimal income was received from SWMCB during the year.

Members and Officers

Members of the Council have direct influence over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 31. During the year, works and services to the value of £2.1m were commissioned from companies, voluntary and similar organisations in which 58 members and 1 officer declared an interest. Contracts were entered into in full compliance with the Council's standing orders.

Greater London Authority (GLA)

The GLA has responsibility for Transport for London (TfL), the London Development Agency, Metropolitan Police Authority and the London Fire and Emergency Planning Authority (LFEPA). Cllr Arbour was a member of both the GLA and LFEPA. Collection Fund payments were made to the GLA of £57.7m. Grant income was received from the GLA of minimal value and the LFEPA received a minor contribution to 'London Resilience Group' from the Council in 2017/18. Levy payments of £1.3m were made to TfL.

Note 37 - Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing

31 March 2017 £000		31 March 2018 £000
143,090	Opening Capital Financing Requirement	164,485
	Capital Investment:	
41,034	Property Plant and Equipment	29,921
58	Assets Held for Sale	0
11	Heritage Assets	0
10,757	Revenue Expenditure Funded from Capital Under Statute	13,743
51,860	**Total Capital Spending**	**43,664**
	Sources of Finance:	
(2,592)	Capital receipts	(1,042)
(18,812)	Government Grants and other contributions	(28,164)
	Sums set aside from revenue:	
(4,976)	- Direct revenue contributions	(3,379)
(4,086)	- Minimum revenue provision	(4,317)
(30,466)	**Total Sources of Finance**	**(36,902)**
164,485	**Closing Capital Financing Requirement**	**171,247**

Explanation of movements in year

31 March 2017 £000		31 March 2018 £000
25,481	Increase in underlying need to borrow (supported by government financial assistance)	11,079
(4,086)	Other movements	(4,317)
21,395	**Increase/(decrease) in Capital Financing Requirement**	**6,762**

Note 38 - Leases

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 CI&ES 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 CI&ES as it is paid.

Authority as Lessee - Finance Leases

The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

31 March 2017 £'000		31 March 2018 £'000
6,876	Other Land and Buildings	4,146
490	Vehicles, Plant, Furniture, Equipment and Other	453
7,366	**Total**	**4,599**

Authority as Lessee - Operating Leases

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

31 March 2017 £'000		31 March 2018 £'000
1,228	Not later than 1 year	1,308
2,993	Later than 1 year and not later than 5 years	3,141
8,481	Later than 5 years	7,843
12,702	**Total**	**12,292**

The expenditure charged to services in the CIES during the year in relation to these leases was:

31 March 2017 £'000		31 March 2018 £'000
3,917	Minimum lease payments	4,462
165	Contingent rents	211
(371)	Less: Sublease payments receivable	(371)
3,711	**Total**	**4,302**

Authority as Lessor - Finance Leases

The gross investment is made up of the following amounts:

31 March 2017 £'000		31 March 2018 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1,621	- Current	1,621
9,804	Unearned finance income	9,683
11,425	**Gross investment in the lease**	**11,304**

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

	Minimum Lease Payments	
	31 March 2017	**31 March 2018 £'000**
Not later than 1 year	121	121
Later than 1 year and not later than 5 years	483	483
Later than 5 years	10,821	10,700
Total	**11,425**	**11,304**

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 shown above.

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 2017/18 £0.4m contingent rents were receivable by the Council (£0.4m in 2016/17).

Authority as Lessor - Operating Leases

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

31 March 2017 £'000		31 March 2018 £'000
1,042	Not later than 1 year	95
1,738	Later than 1 year and not later than 5 years	1,603
15,237	Later than 5 years	14,682
18,017	**Total**	**16,380**

Note 39 – PFI and Similiar Contracts

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

Primary Schools PFI Scheme

2017/18 was the 15th 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 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

2017/18 was the 17th 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 spaces 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. The council and the contractor negotiated a reconfiguration of the bed types at the 3 homes in 2017/18.

Payments due under PFI schemes

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 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Reimbursement of Capital Expenditure	Residential Care Homes	Primary Schools	Total
	£'000	£'000	£'000
Payable within 1 year	640	272	912
Payable within 2 to 5 years	3,191	1,357	4,548
Payable within 6 to 10 years	3,232	2,510	5,742
Payable within 11 to 15 years	0	3,633	3,633
Total	**7,063**	**7,772**	**14,835**

Interest	Residential Care Homes	Primary Schools	Total
	£'000	£'000	£'000
Payable within 1 year	588	664	1,252
Payable within 2 to 5 years	1,720	2,387	4,107
Payable within 6 to 10 years	451	2,169	2,620
Payable within 11 to 15 years	0	813	813
Total	**2,759**	**6,033**	**8,792**

Payment for Services	Residential Care Homes	Primary Schools	Total
	£'000	£'000	£'000
Payable within 1 year	4,874	2,918	7,792
Payable within 2 to 5 years	21,310	12,565	33,875
Payable within 6 to 10 years	18,115	17,929	36,044
Payable within 11 to 15 years	0	16,425	16,425
Total	**44,299**	**49,837**	**94,136**

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:

Movement in PFI Liabilities

2017/18	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Balance outstanding at start of year	(7,650)	(8,021)	(15,671)
Payments during the year	587	249	836
Balance outstanding at year-end	**(7,063)**	**(7,772)**	**(14,835)**

2016/17	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Balance outstanding at start of year	(8,188)	(8,250)	(16,438)
Payments during the year	538	229	767
Balance outstanding at year-end	**(7,650)**	**(8,021)**	**(15,671)**

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:

2017/18

Movement in PFI Assets

	Residential Care Homes	Primary Schools	Total
	£'000	**£'000**	**£'000**
Cost or Valuation			
at 1 April 2017	17,758	16,879	34,637
Additions	0	31	31
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,398)	(2,223)	(9,621)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(184)	(2,120)	(2,304)
at 31 March 2018	**10,176**	**12,567**	**22,743**
Accumulated Depreciation and Impairment			
at 1 April 2017	(62)	(62)	(124)
Depreciation charge	(349)	(344)	(693)
Depreciation written out to the Revaluation Reserve	368	355	723
at 31 March 2018	**(43)**	**(51)**	**(94)**
Net Book Value			
at 31 March 2018	**10,133**	**12,516**	**22,649**
at 1 April 2017	**17,696**	**16,817**	**34,513**

2016/17

Movement in PFI Assets

	Residential Care Homes	Primary Schools	Total
	£'000	**£'000**	**£'000**
Cost or Valuation			
at 1 April 2016	18,474	15,150	33,624
Additions	0	225	225
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(716)	1,504	788
at 31 March 2017	**17,758**	**16,879**	**34,637**
Accumulated Depreciation and Impairment			
at 1 April 2016	(366)	(591)	(957)
Depreciation charge	(375)	(309)	(684)
Depreciation written out to the Revaluation Reserve	679	838	1,517
at 31 March 2017	**(62)**	**(62)**	**(124)**
Net Book Value			
at 31 March 2017	**17,696**	**16,817**	**34,513**
at 1 April 2016	**18,108**	**14,559**	**32,667**

Note 40 - Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk: the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk: the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk: the possibility that financial loss might arise for the authority 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 is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.
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 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 2017/18.

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 which can be viewed on the Council's website.

The following are a summary of relevant limits approved for 2017/18:

- Banks with over 20% UK government ownership – up to £15m
- Banks and Building Societies with required credit rating – up to £10m for up to 2 years
- Money Market Funds with AAA Fitch rating – up to £10m
- Local Authorities – up to £5m 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.

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 Waste 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.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The maturity analysis of financial liabilities is as follows:

31 March 2017 £'000		31 March 2018 £'000
3,892	Less than 1 year	6,270
3,426	Between 1 and 2 years	4,269
14,479	Between 2 and 5 years	13,061
10,976	More than 5 years	15,469
77,582	More than 10 years	79,942
110,355	**Total**	**119,012**

Market Risk (Interest Rate Risk)

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 CI&ES will rise.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income credited to the CI&ES will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Current Long Term borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CI&ES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CI&ES 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 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Market Risk (Interest Rate Risk)	**31 March 2018**
	£000
Increase in interest payable on variable rate borrowings	32
Increase in interest receivable on variable rate investments	(270)
Impact on Surplus or Deficit on the Provision of Services	**(238)**

Note 41 - Pension Schemes Accounted for as Defined Contribution 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 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 42. 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 Council is not liable to the scheme for any other entity's obligations under the plan.

	Teacher's Pension Scheme		**NHS Pension Scheme**	
	2017/18	**2016/17**	**2017/18**	**2016/17**
Total Contributions	£8.5m	£8.3m	£0.1m	£0.2m
Employer's Contribution Rate				
From 1 April	16.48%	16.48%	14.38%	14.38%
From 1 September	16.48%	16.48%	-	-
Anticipated Employer's Contributions next year	16.48%	16.48%	14.38%	14.38%

Note 42 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. The London Borough of Richmond Pension Fund was merged with the Wandsworth Council Pension Fund during 2016/17 under statutory instrument. The Authority is now an employer in the WBC Pension Fund pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of WBC. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the Fund are appointed by the WBC Pensions Committee. 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. largescale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note. The Authority recognises a charge to Council Tax based on the cash payable in the year, and the real cost of post-employment/ retirement benefits calculated under IAS19 is reversed out of the General Fund via the MiRS. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the MiRS during the year.

Discretionary Post-retirement Benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There is no plan assets built up to meet these pension liabilities.

General Fund Transactions
Comprehensive Income and Expenditure Statement – Cost of Services

2016/17 LGPS - WBC Pension Fund £000		2017/18 LGPS - WBC Pension Fund £000
	Service cost comprising:	
15,284	Current service cost	25,914
1,333	Past service cost	957
5,450	(Gain) / loss from settlements	0
0	Administration expenses	264
	Financing and Investment Income and Expenditure	
6,416	Net interest expense	7,045
28,483	**Total charged to (surplus) and deficit on Provision of Services**	**34,180**

Other post-employment benefits charged to the CI&ES

2016/17 LGPS - WBC Pension Fund £000		2017/18 LGPS - WBC Pension Fund £000
	Re-measurement of the net defined benefit liability comprising:	
(76,951)	Return on plan assets (excluding the amount included in the net interest expense)	(8,654)
38,615	Actuarial gains and losses arising on changes in demographic assumptions	0
160,037	Actuarial gains and losses arising on changes in financial assumptions	(31,533)
125,426	**Total charged to the Comprehensive Income and Expenditure Statement**	**(6,007)**

Movement in Reserves Statement

2016/17 LGPS - WBC Pension Fund £000		2017/18 LGPS - WBC Pension Fund £000
(28,483)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services	(34,180)
	Actual amount charged against the general fund balance for pensions in the year:	
14,314	Employers' contributions payable to scheme	15,312

Pensions Assets and Liabilities Recognised in the Balance Sheet

2016/17 LGPS - WBC Pension Fund £000		2017/18 LGPS - WBC Pension Fund £000
(839,188)	Present value of the defined obligation	(835,340)
572,871	Fair value of plan assets	590,342
(266,317)	**Net (liability) / asset arising from the defined benefit obligation**	**(244,998)**

Movement in the Value of Scheme Assets

2016/17 LGPS - WBC Pension Fund £000		2017/18 LGPS - WBC Pension Fund £000
476,164	Opening fair value of scheme assets	572,871
14,678	Interest income	15,484
	Re-measurement gain / (loss):	
76,951	The return on plan assets, excluding the amount included in the net interest expense	8,654
(257)	Other gains / (losses)	0
14,314	Contributions from employer	15,312
3,666	Contributions from employees into the scheme	2,588
(24,164)	Benefits / transfers paid	(24,303)
0	Administration expenses	(264)
11,519	Assets Extinguished on Settlement	0
572,871	**Closing value of scheme assets**	**590,342**

Movements in the Fair Value of Scheme Liabilities

2016/17 LGPS - WBC Pension Fund £000		2017/18 LGPS - WBC Pension Fund £000
(631,369)	Opening balance at 1 April	(839,188)
(15,284)	Current service cost	(25,914)
(21,094)	Interest cost	(22,529)
(3,666)	Contributions from scheme participants	(2,588)
	Re-measurement gains and losses:	
(38,615)	- Actuarial gains / (losses) from changes in demographic assumptions	0
(160,037)	- Actuarial gains / (losses) from changes in financial assumptions	31,533
25,015	- Other	0
(1,333)	Past service cost	(957)
24,164	Benefits / transfers paid	24,303
(16,969)	Liabilities extinguished on settlements	0
(839,188)	**Balance as at 31 March**	**(835,340)**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than the when the benefits are eventually paid as pensions. However, the required charge to Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the MiRS. The transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the MiRS during the year.

The table above shows the amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans.

Asset Allocation

2016/17			2017/18	
LGPS - WBC Pension Fund			**LGPS - WBC Pension Fund**	
£000	**%**		**£000**	**%**
6,499	1.1%	Cash and cash equivalents	4,517	0.8%
410,390	71.6%	Equities	433,093	73.3%
28,368	5.0%	Gilts	35,832	6.1%
57,483	10.0%	Corporate Bonds	48,575	8.2%
17,749	3.1%	Property	17,723	3.0%
52,382	9.2%	Multi-Asset Funds	50,602	8.6%
572,871	**100.0%**	**Scheme assets**	**590,342**	**100.0%**

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 Barnett Waddingham 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 2016. The significant assumptions used by the Actuary have been:

2016/17	**LGPS - WBC Pension Fund**	**2017/18**
%		**%**
Long term expected rate of return on assets		
2.7%	Gilts (UK Government)	4%
Mortality assumptions		
Longevity at retirement for current pensioners		
24.4	Men	24.5
26.0	Women	26.1
Longevity at retirement for future pensioners		
26.6	Men	26.8
28.3	Women	28.4
Other assumptions		
2.7%	Rate of inflation	0%
4.2%	Rate of increase in salaries	3.8%
2.7%	Rate of increase in pensions	2.3%
2.7%	Rate for discounting scheme liabilities	2.6%

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.

Increase by 1% £000	LGPS - WBC Pension Fund Assumption	Decrease by 1% £000
25,200	Longevity	23,666
25,036	Rate of inflation / increase in pensions	23,821
24,421	Rate of increase in salaries	24,421
23,823	Rate for discounting scheme liabilities	25,036

Impact on the Council's Cash Flows

The Council's objectives for the scheme are to keep employers' contributions at a constant a rate as possible while still moving towards a projected 100% funded position over a reasonable period. The Council is no longer the administering authority for the Fund it is a member of. However, the Council retains representation on the committee of the Fund, and the Fund honoured the Council's contributions set at the 2013 Triennial valuation from the transfer date of 1 October 2016 which set a rate of 17.4% of payroll (estimated at £9.4m for 2016/17) plus a lump sum of £4.5m for the year.

The 2016 valuation was implemented from April 2017, and took into account the SSA and associated changes in the Fund, which include an improvement in the funding level. This valuation set a rate of 18% plus a lump sum of £2.6m for 2017/18 (£2.5m in 2016/17) from the Council and an additional 6.2% paid by Richmond schools.

The Council Fund is still open to new membership with a significant number of active members and is therefore not mature.

Note 43 - 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 2018 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 cannot 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 set up the SSA to share staff and achieve significant expenditure reductions in the future. Such reductions have inevitably resulted in a number of redundancies in 2016/17 and 2017/18 and will continue during the next few years as restructures and changes to service delivery are implemented. During 2017/18 the Council has met the majority of the cost of redundancies from reserves and a further provision was also raised as detailed in Note 26. The Council continues to monitor the level of redundancies expected in future years but anticipates the majority of future liabilities will be met from reserves and/or in year budgets.

Achieving for Children (AfC)

The Council owns 40% of AfC. AfC have reported a pension deficit of £37.7m. As joint owners the Council would be responsible for meeting their 40% share of this liability were AfC to cease trading.

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 £5.0m in 2017/18, of which £1.48m or 30% is included in the Council's Accounts, to allow for backdated appeals relating to 2017/18 and prior years. This provision is based on appeals outstanding as at 31 March 2018, as advised by the VOA.

Note 44 - 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 2018.

Note 45 - 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 CI&ES or Balance Sheet. The Orleans House Trust forms part of the Council's consolidated Group Accounts.

2017/18

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Orleans House	3	0	7,033	0
Housing Trust	6	0	1,364	0
Other minor trust funds	1	0	261	0
Total	**10**	**0**	**8,658**	**0**

2016/17

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Orleans House	(3)	238	7,030	0
Housing Trust	5	0	1,358	0
Other minor trust funds	5	0	260	0
Total	**7**	**238**	**8,648**	**0**

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.

Note 46 - 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 all transactions, assets and liabilities relating to the previously made mortgages on behalf of all London Borough councils through the HLU. Revenue and capital surpluses are distributed to the councils on the basis set in the SI based on estimates.

No new mortgage advances are made and all remaining principal is now due. The Long Term Assets are Equity share properties that are 50% owned by the individual mortgagors and 50% owned by the HLU. Capital receipts on sale of these properties are distributed to these councils at the year-end.

The following tables provide details of the HLU's Balance Sheet:

	As at 31 March 2018		As at 31 March 2017	
	£000	£000	£000	£000
Long Term Assets				
Equity shares in property	6,986		7,166	
Current Assets				
Temporary Investments	422		422	
Sundry Debtors	13		74	
Cash and Bank	1,042	8,463	325	7,987
Current Liabilities				
Sundry Creditors	(323)		(323)	
Creditor - LB Richmond	(567)	(890)	(148)	(471)
Total Assets less Liabilities		**7,573**		**7,516**
Represented By:				
Unusable Capital Reserves		(6,986)		(7,166)
Revenue Account (Surplus)		11		(50)
Capital Appropriation Account		(598)		(300)
		(7,573)		**(7,516)**

Note 47 – Group Relationships

Interests in Companies and Other Entities

Orleans House Trust

The Council is the 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 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 2017/18 Accounts therefore present the Orleans House Trust as a Subsidiary of the Council.

Achieving for Children (AfC)

Group Accounts have been included in this Statement of Accounts, recognising the Council's significant interest in AfC which is a Joint Venture with RB Kingston and RB Windsor and Maidenhead. From the Council's perspective, AfC continues to be a Joint Venture which is consolidated in these Accounts using the equity method. The judgement is made on the basis that AfC being an arrangement under which 2 (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two founding councils have rights to the net assets of the arrangement. AfC continues to operate at arm's length from the Council and LB Richmond therefore acts as commissioners – commissioning AfC to provide services such as adoption, fostering, high quality support for schools, childrens' centres and support for children with special educational needs, including transport.

Shared Services

The SSA with Wandsworth Council

As detailed in the Narrative Report, LB Richmond and Wandsworth Council formed a shared staffing arrangement from the 1 October 2016. LB Richmond has incurred £0.5m SSA set up costs in 2017/18 and £1.7m in 2016/17.

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 from 1 October 2016, Wandsworth Council.

The Council incurred expenditure of £2.1m in 2017/18 (£1.1m in 2016/17) in relation to this partnership

Internal Audit and Investigations Service

A shared service with RB Kingston was established on 1 June 2012. The service is hosted (and staff employed) by LB Richmond. LB Merton joined the service in 2015, LB Sutton on 1 April 2016 and Wandsworth Council on 1 October 2016. The service provides the statutory Internal Audit Service for the 5 councils and provides an anti-fraud and corruption service by carrying out investigations of suspected financial fraud and irregularity. The partnering boroughs are charged on the basis of time spent and an agreed audit day rate.

The Council spent £2.1m on this shared service in 2017/18 and recovered £1.7m from other partners (£1.7m expenditure and £1.2m income in 2016/17).

Pension Administration Services

Based at Wandsworth, the Pensions Shared Service administers the Local Government Pension Scheme (LGPS) for Camden, Merton, Richmond, Waltham Forest and Wandsworth Councils. Since October 2016 and the formation of the SSA, the Council is now a scheduled employer in the Wandsworth Council Pension Fund and the Richmond upon Thames Pension Fund no longer exists.

The Council incurred expenditure of £0.2m in 2017/18 (£0.2m in 2016/17) 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. Currently only staffing costs relating to employees based at LB Richmond are paid by LB Merton and recharged to LB Richmond.

The Council incurred expenditure of £0.9m in 2017/18 (£1.0m in 2016/17) in relation to this shared service.

Collection Fund

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).

31 March 2017					31 March 2018			
Business Rates £000	Business Rates Supplement £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Business Rates Supplement £000	Council Tax £000	Total £000
				INCOME:				
		(139,772)	(139,772)	Council Tax Receivable			(146,277)	(146,277)
(83,157)			(83,157)	Business Rates Receivable	(84,328)			(84,328)
		(3)	(3)	Transitional Protection Payments Receivable	(2,297)		(1)	(2,298)
	(2,170)		(2,170)	Business Rates Supplements receivable		(2,313)		(2,313)
(83,157)	**(2,170)**	**(139,775)**	**(225,102)**	**Total amounts to be credited**	**(86,624)**	**(2,313)**	**(146,278)**	**(235,215)**

				EXPENDITURE:				
				Apportionment of Previous Year (Surplus)/Deficit:				
(1,583)			(1,583)	Central Government	(2,500)			(2,500)
(950)		2,750	1,800	LB Richmond	(1,500)		1,750	250
(633)		630	(3)	Greater London Council	(1,000)		370	(630)
				Precepts, demands and shares:				
42,245			42,245	Central Government	28,174			28,174
25,347		113,333	138,680	LB Richmond	25,613		119,770	145,383
16,898		23,944	40,842	Greater London Council	31,590		24,687	56,277
				Business Rate Supplement:				
	2,155		2,155	Payment to levying authority's Business Rate Supplement Revenue Account		2,298		2,298
	6		6	Costs of Collection		8		8
				Charges to Collection Fund:				
565		188	753	Write-offs of uncollectable amounts	246		104	350
34	9	28	71	Increase/(decrease) in allowance for impairment	(223)	7	773	557
(754)			(754)	Increase/(decrease) in allowance for appeals	(4,142)			(4,142)
293			293	Charge to General Fund for allowable collection costs for non-domestic rates	288			288
81,462	**2,170**	**140,873**	**224,505**	**Total amounts to be debited**	**76,546**	**2,313**	**147,455**	**226,313**
(1,695)	**0**	**1,098**	**(597)**	**(Surplus)/Deficit arising during the year**	**(10,078)**	**0**	**1,177**	**(8,902)**
8,232	**0**	**(5,700)**	**2,532**	**(Surplus)/Deficit b/f at 1 April 2017**	**6,537**	**0**	**(4,602)**	**1,935**
6,537	**0**	**(4,602)**	**1,935**	**(Surplus)/Deficit c/f at 31 March 2018**	**(3,541)**	**0**	**(3,425)**	**(6,966)**

Notes to the Collection Fund

Note 1 - Council Tax Income

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.

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	382	6/9	255
B	40,001 - 52,000	1,376	7/9	1,070
C	52,001 - 68,000	9,207	8/9	8,184
D	68,001 - 88,000	16,631	9/9	16,631
E	88,001 - 120,000	17,085	11/9	20,881
F	120,001 - 160,000	10,985	13/9	15,867
G	160,001 - 320,000	12,017	15/9	20,028
H	More than - 320,001	3,270	18/9	6,540
			Adjustment	(1,342)
			Plus Ministry of Defence Properties	48
			Council Tax base	88,162

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	362	6/9	241
B	40,001 - 52,000	1,273	7/9	990
C	52,001 - 68,000	8,920	8/9	7,929
D	68,001 - 88,000	16,280	9/9	16,280
E	88,001 - 120,000	16,907	11/9	20,664
F	120,001 - 160,000	10,902	13/9	15,748
G	160,001 - 320,000	11,958	15/9	19,930
H	More than - 320,001	3,257	18/9	6,514
			Adjustment	(1,569)
			Plus Ministry of Defence Properties	48
			Council Tax base	86,773

Note 2 – NNDR Rateable Value and Multiplier

Rateable value of non-domestic properties at 31 March 2018 is £228,416k (£200,020k at 31 March 2017).

2016/17		2017/18
49.7 pence	NNDR Multiplier	47.9 pence
48.4 pence	Small NNDR Multiplier	46.7 pence

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 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 honored.

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 (40%), RB Kingston (20%) and RB Windsor and Maidenhead (20%). All Councils have commissioned AfC to provide Childrens' and Educational Services across the boroughs. 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.

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 3 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 as the notes to the Group Accounts are not materially different from those of the Council; no additional notes have been disclosed.

Group Comprehensive Income and Expenditure Statement

2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net £000		2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000
96,768	(36,947)	59,821	Adults Social Services	96,368	(37,685)	58,683
188,348	(122,041)	66,307	AfC Client Side and Residual Functions	193,726	(129,754)	63,972
17,452	(11,468)	5,984	Chief Executive's Group	14,729	(7,634)	7,095
0	(4,255)	(4,255)	Central Items	0	(3,335)	(3,335)
61,157	(34,275)	26,882	Environment and Community Services	64,665	(33,276)	31,389
16,759	(9,481)	7,278	Housing and Regeneration	25,307	(8,952)	16,355
103,311	(73,985)	29,326	Resources	91,584	(70,312)	21,272
483,795	**(292,452)**	**191,343**	**Cost of Services**	**486,379**	**(290,948)**	**195,431**
67,887	(5,948)	61,939	Other Operating Expenditure	23,925	0	23,925
11,249	(2,892)	8,357	Financing and Investment Income and Expenditure	27,544	(18,418)	9,126
0	(176,692)	(176,692)	Taxation and Non Specific Grant Income	0	(177,705)	(177,705)
562,931	**(477,984)**	**84,947**	**Surplus or Deficit on Provision of Services**	**537,848**	**(487,071)**	**50,777**
		1,024	Share of the Surplus or deficit of Joint Ventures			4,910
		85,971	**Group Surplus or Deficit**			**55,687**
		(92,809)	Surplus or deficit on revaluation of Property, Plant and Equipment			(383,016)
		96,943	Remeasurement of the net defined benefit liability / asset			(40,187)
		5,314	Share of Other CIES of Joint Ventures			(1,310)
		9,448	**Other Comprehensive Income and Expenditure**			**(424,513)**
		95,419	**Total Comprehensive Income and Expenditure**			**(368,826)**

Group Balance Sheet

31 March 2017 £000 Restated		31 March 2018 £000
871,258	Property, Plant and Equipment	1,236,794
3,784	Heritage Assets	3,780
18,140	Investment Property	17,982
72	Intangible Assets	247
750	Long Term Investments	750
23,856	Long Term Debtors	23,603
917,860	**Long Term Assets**	**1,283,156**
20,649	Short-term Investments	7,129
38	Inventories	12
48,728	Short Term Debtors	65,412
15,115	Cash and Cash Equivalents	19,237
84,530	**Current Assets**	**91,790**
(3,893)	Short-Term Borrowing	(6,373)
(46,488)	Short-Term Creditors	(56,234)
(4,181)	Provisions	(2,484)
(6,107)	Grants Receipts in Advance - Revenue	(5,545)
0	Grants Receipts in Advance - Capital	(1,744)
(60,669)	**Current Liabilities**	**(72,380)**
(24)	Long-Term Creditors	(24)
(879)	Provisions	(1,059)
(106,462)	Long Term Borrowing	(112,742)
(292,409)	Other Long-Term Liabilities	(269,729)
(1,436)	Grants Receipts in Advance - Revenue	(1,100)
(1,131)	Grants Receipts in Advance - Capital	(6,101)
(15,094)	Share of Joint Venture Liability	(18,694)
(417,435)	**Long Term Liabilities**	**(409,449)**
524,286	**Net Assets**	**893,117**
(65,020)	Usable Reserves	(59,879)
(474,360)	Unusable Reserves	(851,932)
15,094	Share of Joint Venture Reserves	18,694
(524,286)	**Total Reserves**	**(893,117)**

Group Movement in Reserves Statement

	Total Usable Reserves £000	Unusable Reserves £000	Authority's share of Subsidiary and Joint Venture Reserves £000	Total Reserves £000
Balance at 31 March 2016 (Restated)	**(64,073)**	**(557,116)**	**1,485**	**(619,704)**
Movement in reserves during 2016/17				
Surplus or deficit on the provision of services	85,010	0	961	85,971
Other Comprehensive Income / Expenditure	5,575	0	3,873	9,448
Total Comprehensive Income and Expenditure	**90,585**		**4,834**	**95,419**
Adjustments between accounting basis and funding basis under regulations	(91,343)	91,343	0	0
Net Increase or Decrease in 2016/17	**(758)**	**91,343**	**4,834**	**95,419**
Balance at 31 March 2017	**(64,831)**	**(465,773)**	**6,319**	**(524,285)**
Movement in reserves during 2017/18				
Surplus or deficit on the provision of services	50,772	0	4,907	55,679
Other Comprehensive Income / Expenditure	(423,202)	0	(1,310)	(424,512)
Total Comprehensive Income and Expenditure	**(372,430)**	**0**	**3,597**	**(368,833)**
Adjustments between accounting basis and funding basis under regulations	377,573	(377,573)	0	0
Net Increase or Decrease in 2017/18	**5,143**	**(377,573)**	**3,597**	**(368,833)**
Balance at 31 March 2018	**(59,688)**	**(843,346)**	**9,916**	**(893,118)**

Group Cash Flow Statement

2016/17 £000		2017/18 £000
85,971	Net (surplus) or deficit on the provision of services	55,687
(104,619)	Adjustment to surplus or deficit on the provision of services for noncash movements	(58,973)
3,220	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28,878
(15,428)	**Net cash flows from operating activities**	**25,592**
38,272	Net cash flows from investing activities	17,519
(11,829)	Net cash flows from financing activities	(12,196)
11,015	**Net (increase) or decrease in cash and cash equivalents**	**(4,123)**
26,130	Cash and cash equivalents at the beginning of the reporting period	15,115
15,115	**Cash and cash equivalents at the end of the reporting period**	**19,238**

Independent Auditor's Report to the Members of the London Borough of Richmond upon Thames

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the London Borough of Richmond upon Thames (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Movement in Reserves Statement, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources and Deputy Chief Executive’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Resources and Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the group and Authority financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority’s arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Resources and Deputy Chief Executive and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 12, the Authority 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 authority, that officer is the Director of Resources and Deputy Chief Executive. The Director of Resources and Deputy Chief Executive 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Statutory Accounts Committee is Those Charged with Governance.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements - Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - 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 Local Audit and Accountability Act 2014 and the Code of Audit Practice 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 2018. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Sarah L Ironmonger

Sarah Ironmonger
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2nd Floor, St John's House
Haslett Avenue West
CRAWLEY
West Sussex
RH10 1HS

31 July 2018

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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Richmond Council has an approved Code of Corporate Governance, which is being reviewed to bring it in line with the new principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment" of the Council's performance across all of its activities and:

- Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible,
- Describes processes applied in reviewing their effectiveness, and
- Lists actions proposed to deal with significant governance issues identified.

This statement explains how Richmond Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

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 CIPFA/ SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of 7 principles, listed below, to support good governance and the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

- Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2 Ensuring openness and comprehensive stakeholder engagement.
- Principle 3 Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle 6 Managing risks and performance through robust internal control and strong public financial management.
- Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council has in place the key officers namely the Chief Executive, Director of Resources, the Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to allow them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Director of Resources are in line with CIPFA's statement on 'The Role of the Chief Financial Officer'. In addition, the organisation and deployment of their staff and report circulation protocols allow their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the South London Legal Partnership as required.
The Council's Whistleblowing Policy and Procedure was revised in October 2016 for the commencement of the Shared Staffing Arrangement with Wandsworth Council to ensure that it remains effective in terms of reports of possible fraud or financial irregularities. Although systems are in place for dealing with complaints, these are not operated consistently across the directorates. There is a need for a comprehensive corporate approach which should be addressed through the procurement and implementation of a case management system which is planned for April 2019. Annual reports are produced for Adults and Children's services in accordance with statutory requirements.

Ensuring openness and comprehensive stakeholder engagement. The current Corporate Plan runs from 2016 to 2019 but is refreshed annually to ensure that it reflects latest resident feedback and local priorities. The latest refresh can be found here:- https://cabnet.richmond.gov.uk/documents/s66244/Corporate%20Plan%202017-18%20-%20Cover%20Report%2023022017%20Cabinet.pdf. The refreshed draft Corporate Plan was used to inform the annual budget-setting scrutiny process.

The Corporate Plan 2016-2019 is published on the Council's website following endorsement by full Council, and is available using the following link: - http://www.richmond.gov.uk/corporate_plan.

The Corporate Plan sets out the Council's 3 overarching aims:

- To transform local public services through partnership and collaboration through its community leadership role
- To build community capacity to enable residents and communities to take greater control over their lives and to shape and where appropriate deliver local services
- To act primarily as a strategic commissioning body with a reduced role in service delivery.

The plan provides a clear outline for Members, staff, stakeholders and residents of the Council's priorities and commitments to achieve these aims. The corporate priorities are identified through discussions between officers and elected Members, using latest residents' feedback, service performance data, an understanding of the Council's financial position and national and local policy and priority considerations.
Included are an overview of key projects, programmes and major work the Council will be delivering to March 2019, with a focus on those to be delivered in 2018-19; and a statement of the high-level measures used to monitor delivery against the priorities. The Corporate Plan also sits alongside other strategic, partnership plans such as the Community Safety Partnership Plan and the Children and Young People's Plan.

The Corporate Plan also articulates the Council's contribution to the Richmond Community Plan, which was shaped by stakeholder and partner input and sets out the overall vision, aspirations and priorities of the Richmond Partnership.
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 the Cabinet, Quarterly reports of performance of delivery against corporate priorities are also published and the Medium Term Financial Strategy (MTFS) details both revenue and capital budgets and forward plans.
The Community Plan 2016-2020 (published May 2016) 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 Council has a commitment to holding open meetings and Committee Reports, Agendas and Minutes are published on the internet.

Defining outcomes in terms of sustainable economic, social, and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes. The Council has a performance management framework which translates priorities and objectives from the Corporate Plans into performance targets for members of staff. Quarterly reports on budget and performance are submitted to the Cabinet and are circulated to all members of the council via a Member Information Pack. Key Projects and corporate plan actions progress is reported regularly to the SSA Directors Board and a summary included in the reports to members to ensure that delivery is on track and in line with the Council's priorities.
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.

Developing the entity's capacity, including the capability of its leadership and the individuals within it. Executive, non-executive, scrutiny and officer functions are defined in the Council's Constitution. It includes details of how decisions are made, including a scheme which sets out how powers have been delegated to Members and officers. It also includes regulatory procedures e.g. Contract Standing Orders, and Financial Regulations. It is regularly reviewed and updated to reflect relevant changes to the allocation of powers, revised departmental structures and operating procedures.
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'.

The Council recognises that good governance is underpinned by the standards and values of its Members and Officers.
The standards and behavior that is expected are clearly defined. The Council has agreed a standards framework for Members, which incorporates a local Code of Conduct, terms of reference for a standalone Members Standards and Disciplinary Committee and a complaints procedure, to ensure that the current high level of standards is maintained.

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. With the move towards being a commissioning council and increased involvement of third parties, also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflicts of interests. The Code of Conduct for Officers (updated in October 2016 to reflect the needs of the Shared Staffing Arrangement) sets out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality. The Member's and Officers' Codes of Conduct are included in the Council's Constitution.
The Council has adequate procedures for investigating incidents where standards have not been met, and implementing action plans to address any deficiencies.
The development needs for Members are seen to be adequately addressed both in terms of induction training and focused continuous training. Officers have a formal appraisal process where training needs are adequately identified and catered for. The Council acknowledges the need to ensure that there are effective succession plans in place as this is key to the continued level of service delivery.

Managing risks and performance through robust internal control and strong public financial management. The Council's Constitution contains the specified items and is regularly reviewed and updated as necessary. The local decision making process and scrutiny role are adequately documented and operated effectively including ensuring that there is input into reports from all corporate professionals including both legal and financial advice.
The Council's Risk Management Strategy is effective and well embedded into corporate management processes. A combination of Strategic Risk Specialists and Heads of Service reviews maximises the opportunity to identify key risks of the Council achieving its objectives.
It is acknowledged that it is not possible to eliminate all risks and that the review framework is not an absolute assurance of effectiveness. However, the regular review by Service Heads and Strategic Risk Specialists ensures that there is an appropriate mechanism to identify emerging threats and changes to priorities together with the impact should such an incident occur.

Implementing good practices in transparency, reporting and audit to deliver effective accountability. The Council has entered into a Shared Staffing Arrangement with Wandsworth Council and in doing so developed an Inter Authority Agreement between the two authorities; also the Council has updated its Constitution to ensure that the governance arrangements are effective.
The Council also operates closely with Richmond Clinical Commissioning Group delivering services on behalf of both organisations. Governance is managed through a Senior Stakeholder Group and scrutiny is delivered through the Health and Wellbeing Board. The purpose of the Health and Wellbeing Board is to provide effective political and public leadership for health and wellbeing locally, empowering and engaging local people and key stakeholders in decision-making and to promote integration and joint working to improve the health and wellbeing outcomes for local resident.

The Council's main partnerships include Achieving for Children (AfC), Audit & Fraud, Community Safety, Legal, Pensions and the Health and Wellbeing Board, each of which are operated through partnership agreements and approved by the relevant Committee.
The Audit Committee operates in accordance with the CIPFA guidance entitled '*Audit Committees – Practical Guidance for Local Authorities'*. The Committee normally meets 4 times a year and provides an independent assurance on the Council's governance arrangements.

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 Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
The Local Government and Public Involvement in Health Act 2007 required all English local authorities to reconsider the "executive arrangements" they have adopted for decision making

The Authority. The Council's Constitution sets out the member-level decision making structure adopted by the Council together with the Terms of Reference of scrutiny and other committees. It includes a definition of the roles and responsibilities of Councillors and the statutory Scheme of Delegations to Officers.

Full Council. Full Council is responsible for setting and approving the budget and policy framework within which the Cabinet must operate. It is the ultimate policy making body for Richmond upon Thames. Council is also responsible for appointments, electing the Leader, members of the Cabinet and members of other committees such as Overview and Scrutiny.

The Executive. The Council has a Leader and Cabinet style of decision making which was adopted in 2001. The Cabinet and its Members (also referred to collectively as the Executive) operate within the policy framework and budget set by Full Council, and are responsible for taking most day-to day decisions. Cabinet is chaired by the Leader of the Council, who appoints Members and gives them individual portfolios. The Cabinet meets monthly and meetings are open to the public. The Council's Constitution details those functions for which the Executive has sole discretion and those which must to the subject of its recommendation to full Council.

The Audit Committee. The Audit Committee has considered a number of reports to ensure that the Council's arrangements including internal control are effective, operate robustly and that there are timely and effective action plans in place to address significant control issues identified. It has carried out its annual review of the Council's Risk Management Strategy and found it to be fit for purpose and operating robustly and considered reports from External Audit during the year.

Statutory Accounts Committee. The Statutory Accounts Committee approved the Council's accounts for 2016/17 together with a report from the External Auditor.

Overview and Scrutiny Committees. Overview and Scrutiny Committees are made up of non-executive Councillors who review and scrutinise the decisions of the Executive and conduct reviews of policy and services. Overview and Scrutiny Committees have a 'check and balance' relationship with the Council's Executive. Their remit includes reviewing current and proposed Council polices, questioning Cabinet Members, senior officers and external partners, examining performance monitoring data and keeping up to date with the progress of Task Groups.

They can also ‘call in’ a decision taken by the Cabinet or Cabinet Members, which delays the decision’s implementation. This puts the decision on hold and allows the Committee to examine it and, if they choose, ask the decision-maker to reconsider. However, Committees do not have the power to take decisions themselves, overturn those taken by the Cabinet or Cabinet Members or insist that their recommendations are adhered to.
In addition to this, the Health Scrutiny Committee has a number of special powers and responsibilities conferred on it by the Health and Social Care Act 2001.

Members Standards and Disciplinary Committee. The standard of conduct by Members at Richmond remains very high and as such, this Committee has not met for a number of years.

Internal Audit. On the basis of Internal Audit activity, the Council’s governance arrangements including internal control are deemed to be generally sound and agreed action plans are in place with service areas in order to enable the Audit Committee to take reasonable assurance that the Council’s governance arrangements including internal control are effective and are operated vigorously. They contribute to the achievement of the Council’s overarching objectives whilst nevertheless both identifying areas for improvement and monitoring the implementation of agreed corrective action, with key items been reported to the Audit Committee.

The Director of Resources. By law, under Section 151 of the Local Government Act 1972, and as set out in the Council's Constitution, the Director of Resources has a number of control responsibilities. This role, which is supported by Members and Directors, and that of officers within the Resources Department, is to ensure that the Council has sound controls for the administration of its financial affairs. The Council is finalising its service reviews following the commencement of the Shared Staffing Arrangement and in the main the controls have been effective. The role of a Programme Board enabled oversight of key service changes and the work has progressed to the stage where this is no longer required.
There have been challenges with the introduction of a new Financial Management System however; Officers continue to work with the Provider to ensure that there is an effective control framework in place.

The Council’s Monitoring Officer. There are no issues beyond those detailed in this statement that need to be specifically commented upon.

CONCLUSION
The review of effectiveness on the Council’s governance arrangements found that for the majority of services the control environment was satisfactory. It is not possible to eliminate all risks of failure and there were some areas where the Council’s high expectations were not met and/or progress has been slower than originally expected. The control framework is an ongoing process and therefore where issues were identified action plans were agreed with the relevant Director with a view to progress being reviewed within 6 months of the report. The Council’s review mechanisms are an effective framework for maintaining satisfactory governance arrangements including identifying any issues and for monitoring and securing their implementation.
There are some common control themes for improvement plus a diverse range of service issues to be addressed and the Annual Governance Statement identifies continuing actions on the significant governance issues.

CERTIFICATE
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance can be found at
http://moderngov.richmond.gov.uk/ieListDocuments.aspx?CId=772&MId=4575),
and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

a) ICT business continuity planning
The transition to making more services available on-line, and the need to ensure that core supporting systems operate effectively, sees the Council's dependency on IT systems continue to increase and with that a need to ensure resilience in service availability. This significance has increased further with the implementation of the SSA as IT solutions now need to facilitate access from multiple sites.
To minimise cyber security threats and to support the efficient delivery of Council services the need to refresh IT security is constant. The Council's IT business continuity arrangements are being further consolidated as part of a 2 year programme to enhance and consolidate the IT infrastructure arrangements across the SSA to meet the increased demands and commitments to provide increased on-line, real-time services for residents and service users combined with a move to cloud based or hosted systems to spread the risk of total service failure from a single incident. In addition the roll out of Office 365 will enhance flexibility across the shared workforce that requires effective remote working solutions from multiple sites.

(b) Direct Payments
The Council supports the use of Direct Payments to enable individuals to control their own care by exerting choice and control in determining how they would like their care needs to be met. However, the services provided through direct payments are not necessarily subject to the same regulatory regime as traditional care services.
The Adult Social Services Department has worked closely with Internal Audit to minimise the risks and whilst improvements to internal control have been made, not all the procedures that have been put in place have always been followed. Significant changes to the way that Direct Payments are administered have been made over the last few months and Internal Audit will continue to work with the Department to further improve control.

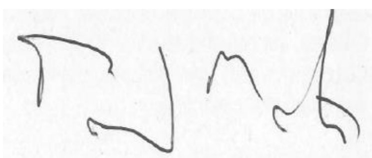
(c) Data Security
The challenges to delivering effective data security management require constant review especially at a time when the key data protection legislation is changing with the need to ensure that systems and processes are compliant with GDPR. The implementation of the SSA added another dimension as the data security arrangements across both Councils needed to be aligned. The SSA is committed to achieving ISO27001 Certification across all services; full certification has been achieved across all Wandsworth sites and is being rolled out across Richmond sites during 2018.
Failure to act responsibly when handling personal data could place the Council at risk of significant financial penalties and reputational damage, should personal data be inappropriately disclosed or misused, whether deliberately or accidentally. The requirements of GDPR apply to all personal data sets used by the Council whether directly or through the engagement of third party/contracted data processors. The Council's ability to ensure lawful processing is exercised by third party/contracted data processors is applied through a combination of robust procurement controls and by service leads through contract management. The Council is reviewing and where necessary amending processes as part of a GDPR readiness plan that includes on-line training for all staff.

(d) Change Management
Since the SSA went live on 1st October 2016 there has been significant reviews of service delivery models with key changes to systems and personnel. These have been overseen by a Programme Board and with the majority of the key projects now being implemented the Board has been wound up and the projects deemed to be Business as Usual.
The Governance arrangements are now being reviewed to reflect any changes to service delivery functions and the Code of Governance will be revised once this process has been completed.
In October 2017 all staff were invited to take part in a survey to help the Council understand how the SSA could improve and gather ideas about how best the SSA can be moved forward. The results of this survey are published on The Loop together with action plans.

(e) Contract Monitoring
The Council continues to utilise external parties to provide its services where they provide effective and economical benefits to do so. However, unsatisfactory service delivery through partners and contractors would put services to residents and clients at risk so there is a need to ensure that effective contract monitoring arrangement are in place.
The risk of service disruption due to poor service delivery or contractor failure has been recognised with a new corporate risk specialist category of 'Contract Management' included within the Risk Management Strategy for 2018/19, thereby ensuring that Service Managers continually review their control arrangement and where appropriate take timely and effective intervention action. The effectiveness of contract management is also subject to review by Internal Audit.

(f) Financial Management System
The first major combined SSA system and service outsource (Transactional Services) to be implemented was for the key financial systems. An ambitious target of April 2017 was set for full implementation of all elements. The nature and complexity of combining the needs of both new key financial systems and changed processes associated with the outsourcing of the transactional services for 2 authorities ultimately meant that some elements of the system were not fully implemented by this date with the budget management system needing regular updates in year (which has now been re-written in a new version for 2018).
The challenges encountered in implementing all elements of the system functionality has impacted upon services with extensive delays in some contractor payments and backlogs of issues building up in the first half of 2017/18. Additionally, budget managers had to develop alternative budget monitoring spreadsheets to draw information from the main financial system and feeder systems to support effective budget management.
The delays in payments, income allocation, together with the reworking of budget management processes placed additional workloads upon existing staff and increased the risks around supplier, client and budget management. Officers have worked actively to support the Transactional Services supplier to improve this position throughout the year and support all elements of the agreed rectification plan, some of which will stretch into 2018/19.

Signed:



Cllr Gareth Roberts
Leader of the Council

P Martin
Chief Executive

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

· The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

· A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

· A non-current asset provides benefits to the Authority and to the services it provides for a period of more than 1 year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

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

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of 1 or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

· A possible obligation arising from past events whose existence will be confirmed only by the occurrence of 1 or more uncertain future events not wholly within the Authority's control;

· A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

· A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

· A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

· Readily convertible to known amounts of cash at or close to the carrying amount; or

· Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than 1 accounting period.

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for 1 year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

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

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

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

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

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

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

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

STOCKS (INVENTORY)

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

TEMPORARY BORROWING

Money borrowed for a period of less than 1 year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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