London Borough of Richmond upon Thames

Accounts for the year 2018/19

Mark Maidment CPFA

Director of Resources and Deputy Chief Executive

Audited
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The financial statements replace the unaudited financial statements certified by Mark Maidment on 31 May 2019

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 2018/19. 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 focused on providing a range of excellent services and delivering against local priorities. The Council's vision is to become an engaging, open and innovative Council – one that has better local schools, is safer and greener, one that is fair and affordable for all.

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 period to 2022 these are:

A Greener Borough

- Putting the environment at the heart of local decision making
- Safeguarding our beautiful borough, protecting our green spaces and improving air quality

A Safer Borough

- Being the safest London borough
- Working in partnership with police and local communities to prevent and tackle crime and improve road safety

A Fairer Borough

- Investing in good local services that protect the most vulnerable
- A borough that is affordable for all

A Borough for Everyone

- Making sure residents have a real say over issues that affect them
- Making our borough accessible for everyone and promoting opportunity for underrepresented groups

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 five directorates:

Adult Social Care and Public Health
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.

Risks 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/s74507/LBR%20AC%20Risk%20Mgt%20Report%20April%202018.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 potentially affected by the Government's proposal to introduce "negative Revenue Support Grant" (removed for 2019/20 but uncertainty remains for future years) 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 saw London retain a greater share of the growth in Business Rates and this has now been extended in to 2019/20.

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/s75033/20180905%20MTFS%20FINAL.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 Members on a quarterly basis.
The Council also reports 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 is 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

Financial Performance

Revenue

The Council recorded a net General Fund underspend of £6.6m (5.26% of the 2018/19 Council Tax Requirement) and an in-year deficit in the DSG of just under £3.0m relating to Special Education Needs spend. Within the General Fund there were over and underspends across the Directorates, reflecting the wide range of services provided and £4.0m of one-off retained income resulting from the pilot London business rates pool. Further details of service related outturn figures are included in the Council's outturn report which is available at: https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CId=801&MId=4670

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*	36,611	36,328	(283)
Environment and Community Services	20,651	20,258	(392)
Adult Social Services	52,430	52,329	(102)
Housing and Regeneration	5,616	6,424	808
Chief Executive's	4,492	3,414	(1,078)
Resources	26,540	25,223	(1,317)
Central Items	(20,933)	(25,160)	(4,227)
	125,407	**118,816**	**(6,591)**

* 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 underspend within AfC retained residual functions is a result of backdated income from schools to fund their legal costs (-£0.1m) which have previously been paid by the council via the AfC contract price. Whilst the General Fund AfC costs have also produced a small underspend (-£0.2m), this needs to be considered within the larger context of the significant ongoing funding pressures within the DSG. Within the Environment and Community Services Directorate additional parking permit and enforcement income (-£0.8m) has more than offset reduced income from burial services, registrars and DIY waste disposal (+£0.3m) and additional staffing (+£0.1m) employed to collect historic Community Infrastructure Levy payments which are held as capital receipts.

The overspend of £0.8m within the Housing and Regeneration Directorate is mainly within Property Services which is still adapting to the ending of the

Babcock contract for Total Facilities Management and the establishment of a new largely in-house service delivery model. Within the Chief Executive's Group, efficiencies within core public health contracts (-£0.5m), lower than expected legal and other running costs (-£0.2m) and staff vacancies within Resident Engagement, Community and Partnerships and the graduate trainee scheme (-£0.3m) have more than offset continued pressures within the Regulatory Services Partnership (+£0.2m) where a revised staffing structure is now in place for 2019/20.

The Resources and Central Items areas have contributed in the main to the overall underspend as follows: a higher housing benefit subsidy than budgeted in both the prior year (-£0.7m) and current year (-£0.3m); staffing efficiencies within the Procurement section (-£0.4m) and unused central and levy contingency budget (-£1.5m) and increased retained business rates as a result of the London business rates pooling pilot (-£4.0m) which are only partially offset by additional costs within the HR service (+£0.3m). The planned use of reserves has therefore not been required (+£1.3m).

Revenue Reserves

The Council's General Fund Reserve remains unchanged at £10m which represents 6.4% of the Council Budget Requirement for 2019/20 and is within the guidelines agreed by the Council.

Reserves, including the General Fund Reserve and schools reserves but excluding grant reserves, have increased by £4.1m to £40.6m. Schools reserves have fallen by £1.2m, 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 £42.1m, £10.8m 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 £25.6m on the capital programme in 2018/19. This is detailed in the table below. Overall expenditure decreased significantly from the £43.7m expenditure in 2017/18 due to schools projects being completed.

Directorate	Revised Budget £000	Outturn £000	Variance £000
Education and Children's Services	11,877	11,878	1
Environment and Community Services	9,247	9,247	0
Adult Social Services	383	383	0
Housing and Regeneration	3,384	3,384	0
Chief Executive	410	410	0
Resources	252	252	0
Total	**25,553**	**25,554**	**1**

Pensions

The accounts show a deficit on the Council's pension liabilities of £205.8m at 31 March 2019 (decreased from £245.0m at 31 March 2018). 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 demographic assumptions for both current and future pensioners, changes in financial assumptions which include a decreased discount rate increasing the net present value of projected liabilities, 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.

Current borrowing facilities and capital borrowing

The Council increased its underlying need to borrow (Capital Financing Requirement) by £2.8m during the year to £174.0m. This increase represented part funding for £25.6m 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 £4.0m. This increase reduced the gap between the underlying need to borrow and actual borrowing (replacing internal borrowing) and increased total external borrowing to £120.8m. 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 2019 report is available on the following link:

http://moderngov.richmond.gov.uk/documents/s77485/6a.%20Cabinet%20Report%20-%20Capital%20Programme%202018-19%20to%2023-24%20002%2031012019%20Finance%20Policy%20and%20Perfor.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 £126.6m over a 6-year period. Education projects

(33.4% 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 £7.5m, of which £6.0m relate to the replacement of street lighting columns.

The Council has 2 PFI projects and recognises £12.9m 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 £4.0m.

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 delivering "fairer finances" and achieving the aims of the Corporate Plan.

Since 2011/12, the Council has achieved efficiencies of around £62m. £28m of these have been achieved by internal restructuring and the sharing of services with other organisations, £21m from procurement and contract savings and £13m 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. An additional £3m of extra savings/ income has already been identified for 2019/20.

The MTFS highlights the current uncertainty in the size of the Council's funding gap and options available for meeting it. It 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 2019 and its income and expenditure for the year ended 31 March 2019.

Mark Maidment
Director of Resources and Deputy Chief Executive
15 November 2019

Chairman of the Audit, Standards and Statutory Accounts Committee
15 November 2019

Date authorised for issue: This statement of accounts is authorised for issue on 15 November 2019 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 (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and in the Movement in Reserves Statement (MiRS).

	2017/18					**2018/19**	
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**	**Notes**		**£000**	**£000**	**£000**
96,368	(37,685)	58,683		Adults Social Services	85,134	(29,235)	55,899
193,753	(129,778)	63,975		AfC Client Side and Residual Functions	229,780	(143,886)	85,894
14,729	(7,635)	7,094		Chief Executive's Group	14,907	(7,904)	7,003
0	(3,335)	(3,335)		Central Items	104	(2,199)	(2,095)
64,665	(33,276)	31,389		Environment and Community Services	55,719	(35,525)	20,194
25,307	(8,952)	16,355		Housing and Regeneration	27,537	(11,883)	15,654
91,584	(70,312)	21,272		Resources	94,567	(66,905)	27,662
486,406	**(290,972)**	**195,434**		**Cost of Services**	**507,748**	**(297,537)**	**210,211**
23,924	0	23,924	*11*	Other Operating Expenditure	12,279	0	12,279
27,544	(18,418)	9,127	*12*	Financing and Investment Income and Expenditure	25,944	(18,380)	7,564
0	(177,705)	(177,705)	*13*	Taxation and Non-Specific Grant Income	0	(165,480)	(165,480)
537,874	**(487,094)**	**50,780**		**Surplus or Deficit on Provision of Services**	**545,971**	**(481,397)**	**64,574**
		(383,017)	*14*	Surplus or deficit on revaluation of Property, Plant and Equipment			51,718
		(40,187)	*41*	Remeasurement of the net defined benefit liability / asset			(52,763)
		(423,204)		**Other Comprehensive Income and Expenditure**			**(1,045)**
		(372,424)		**Total Comprehensive Income and Expenditure**			**63,529**

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 two 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 are sold; and reserves that hold timing differences shown in the MiRS line *Adjustments between accounting basis and funding basis under regulations*.

31 March 2018			**31 March 2019**
£000	*Note*		**£000**
1,229,200	*14*	Property, Plant and Equipment	1,121,362
2,788	*15*	Heritage Assets	2,682
17,982	*16*	Investment Property	18,922
247	*17*	Intangible Assets	129
750	*18*	Long-Term Investments	750
23,603	*18*	Long-Term Debtors	23,065
1,274,571		**Long Term Assets**	**1,166,910**
7,129	*18*	Short-Term Investments	32,253
12		Inventories	12
65,412	*19*	Short-Term Debtors	67,861
19,046	*20*	Cash and Cash Equivalents	5,034
91,600		**Current Assets**	**105,160**
(6,373)	*18*	Short-Term Borrowing	(7,134)
(56,235)	*21*	Short-Term Creditors	(63,576)
(2,484)	*22*	Provisions	(2,724)
(5,545)	*34*	Grants Receipts in Advance - Revenue	(2,925)
(1,744)	*34*	Grants Receipts in Advance - Capital	(1,744)
(72,380)		**Current Liabilities**	**(78,103)**
(24)		Long-Term Creditors	(2)
(1,059)	*22*	Provisions	(613)
(112,742)	*18*	Long-Term Borrowing	(117,473)
(269,729)		Other Long-Term Liabilities	(229,008)
(1,100)	*34*	Grants Receipts in Advance - Revenue	(713)
(6,101)	*34*	Grants Receipts in Advance - Capital	(6,652)
(390,755)		**Long Term Liabilities**	**(354,461)**
903,034		**Net Assets**	**839,506**
(59,688)	*23*	Usable Reserves	(66,797)
(843,346)	*24*	Unusable Reserves	(772,709)
(903,034)		**Total Reserves**	**(839,506)**

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 (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 2018		(9,956)	(33,982)	(2,958)	(12,792)	**(59,688)**	(843,346)	**(903,034)**
Movement in reserves during 2018/19								
Surplus or deficit on the provision of services	*CI&ES*	64,575	0	0	0	**64,575**		**64,575**
Other Comprehensive Income / Expenditure	*CI&ES*						(1,047)	**(1,047)**
Total Comprehensive Income and Expenditure		**64,575**	**0**	**0**	**0**	**64,575**	**(1,047)**	**63,528**
Adjustments between accounting basis and funding basis under regulations	*9*	(68,128)		(657)	(2,899)	**(71,684)**	71,684	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(3,553)**	**0**	**(657)**	**(2,899)**	**(7,109)**	**70,637**	**63,528**
Transfers to / from Earmarked Reserves	*10*	3,553	(3,553)	0	0	**0**	0	**0**
Increase or Decrease in 2018/19		**0**	**(3,553)**	**(657)**	**(2,899)**	**(7,109)**	**70,637**	**63,528**
Balance at 31 March 2019		**(9,956)**	**(37,535)**	**(3,615)**	**(15,691)**	**(66,797)**	**(772,709)**	**(839,506)**

Represented 2017/18	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**		**50,772**
Other Comprehensive Income / Expenditure	*CI&ES*						(423,202)	**(423,202)**
Total Comprehensive Income and Expenditure		**50,780**	**0**	**0**	**(8)**	**50,772**	**(423,202)**	**(372,430)**
Adjustments between accounting basis and funding basis under regulations	*9*	(46,526)	0	(278)	1,175	**(45,629)**	45,629	**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	*10*	(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)**	**(372,430)**
Balance at 31 March 2018		**(9,956)**	**(33,982)**	**(2,958)**	**(12,792)**	**(59,688)**	**(843,346)**	**(903,034)**

The prior year figures in the table have been re-presented to comply with best practice illustrated in CIPFA's Code of Practice on Local Authority Accounting. The previous figures shown under the line *other comprehensive income / expenditure* have been merged with the line *adjustment between accounting basis and funding basis under regulations*. These changes are purely presentational and have not changed any closing balances.

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 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).

2017/18			**2018/19**
£000	*Note*		**£000**
50,780		Net (surplus) or deficit on the provision of services	64,575
(54,063)		Adjustment to surplus or deficit on the provision of services for noncash movements	(86,932)
28,878		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	18,209
25,595	*25*	**Net cash flows from operating activities**	**(4,148)**
(17,519)	*26*	Net cash flows from investing activities	21,513
(12,196)	*27*	Net cash flows from financing activities	(3,353)
(4,122)		**Net (increase) or decrease in cash and cash equivalents**	**14,012**
14,926		Cash and cash equivalents at the beginning of the reporting period	19,046
19,046		**Cash and cash equivalents at the end of the reporting period**	**5,034**

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its year end position at 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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.

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

1.2 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 authority 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.

1.3 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:

<u>Income</u>

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.

<u>Expenditure</u>

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 based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtor and creditor balances (accrual policy)

Where revenue income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled (i.e. collection is doubtful), the balance of debtors is written down 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. Consequently, 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 to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and was set at £10k for 2018/19.

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.

Revenue from contracts with service recipients

The code requires revenue from contracts with service recipients to be recognised in accordance with the following five steps:

- Identification of a contract with a service recipient
- Identification of any performance obligations within the contract
- Calculation of a transaction price
- Allocation of the transaction price to the performance obligation
- Recognition of revenue when the performance obligation is satisfied.

The Council has assessed the different categories of income from service recipients where there is a contract in place and where there is a performance obligation on the Council to deliver goods or services.

The majority of services delivered to service recipients are statutory services and performance obligations are satisfied throughout the year in exchange for income received. There would therefore be no material effect on the Council's financial statements of separately identifying income from these contracts that has been received but the performance obligation has not been satisfied. Revenue is recognised at the point that the service is delivered.

The total income from fees and charges is disclosed in Note 8 of the financial statements, expenditure and income analysed by nature.

Income from non-exchange transactions (government grants and contributions, council tax and non-domestic rates) is separately disclosed in the financial statements and does not fall within the disclosure requirements of IFRS15.

1.4 Cash and Cash Equivalents.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.5 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 CIES. These de minimis levels are periodically reviewed and applied to avoid administrative efforts and cost in recording and accounting for long term assets where their value in not material. The current de minimis levels for recognising these assets are:

- Land and building – £100k.
- Vehicle plant and equipment – £25k.
- Infrastructure - £15k.
- Intangible assets – £25k.

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. These levels have recently been revised as detailed in section 1.7 below.

1.6 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.7 Prior period adjustments, changes in accounting policies and estimates and errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting for Assets

There have been changes in the way that the Council undertakes Asset Accounting in the 2018/19 accounts. The de minimis levels for asset recognition have been reviewed to ensure they are appropriate considering the increases in land values in London in recent years. The changes are as follows;

	Previous threshold	Revised threshold
Land and Buildings	£50k	£100k
Vehicles, Plant and Equipment	£10k	£25k
Infrastructure Assets	£10k	£15k
Intangible Assets	£10k	£25k

The impact on the 2018/19 opening balances in the fixed asset register from these threshold changes is a reduction in the number of assets held on the register from 1,671 to 1,285 and a reduction in the opening value of £4.7m.

A further change in accounting policy will be to derecognise assets in the asset register as their net book value falls below the de minimis level. Derecognition gives a shorter write-off period and is therefore a more prudent approach.

The estimated life of Infrastructure Assets has been reviewed for Richmond as it was previously set at 40 years. This has been reduced to 20 years to bring it in line with current useful life assumptions and other authorities treatment. This will apply to new assets created from 2018/19 onwards and any assets with a life above 20 years as at 1st April 2018, these will be amended down to 20 years. The impact of this change is that the depreciation charge will increase by £1.7m in 2018/19.

1.8 Charges to Revenue for Non-Current Assets

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

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

- amortisation of intangible fixed assets attributable to the service.

The 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 equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account (CAA) in the MiRS for the difference between the two.

1.9 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 any 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the 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 and are charged on an accruals basis in the CIES 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 are members of three 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 Department of Health (DoH).
- The Local Government Pension Scheme administered by Wandsworth Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees 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 Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

<u>The Local Government Pension Scheme (LGPS)</u>

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 LB Wandsworth is the administering body for that Fund. The Wandsworth Council Pension Fund Accounts are presented in LB Wandsworth'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 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 the 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 pension's liability is analysed into 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 Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan). This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
    - Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement

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

- Contributions paid to the 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The 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 LGPS.

1.10 Fair value measurement

Some non-financial assets such as surplus assets and investment properties and some financial instruments such as Covered Bonds and Certificates of Deposit are measured 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 the liability, or
- in the absence of the principal market, in the most advantageous market for the asset or the liability.

The fair value is measured 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 are categorised within the fair value hierarchy, as follows:

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

1.11 Financial Instruments

Financial Liabilities

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

For most 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 CIES is the amount payable for the year according to the loan agreement.

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

Financial Assets

In 2017/18 financial assets were classed as either loans and receivables or available for sale. In 2018/19 International Reporting Standard 9 (IFRS9) was introduced and made changes to the classification of financial assets.

Financial assets are generally classified into two types:

- Amortised Cost – assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The asset is held within a business model with the objective of collecting contractual cash flows and not for trading.

- Fair Value through Profit or Loss - assets that do not meet the amortised cost definition of cash flows that are solely payments of principal and interest and are held within a business model with the objective of collecting contractual cash flows and not for trading.

In Richmond, financial assets were previously categorised as loans and receivables and are now classed as amortised cost

Amortised Cost

Assets at amortised cost 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of an expectation that future cash flows might not take place because the borrower could default on their obligations under the contract, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. An assessment of credit risk is crucial in measuring any losses.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Fair Value through Profit and Loss

Fair Value through profit and loss 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.

The fair value measurements of the financial assets 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

Changes in fair value are recognised in the Surplus or Deficit on the Provision of Services as they arise in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

For Pooled Investment Funds the government has introduced a regulation to mitigate the effects of changes in fair value on the Council Tax payer for a period of five years from 1 April 2018. Changes in fair value are transferred from the CIES to an account established solely for this purpose on the Balance Sheet. This account is called the Pooled Investment Funds Adjustment Account.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Pooled Investment Funds Adjustment Account.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

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

1.12 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, 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.

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 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.

1.13 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.

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

1.15 Inventories

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

1.16 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end, unless the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the 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 CRR.

1.17 Revenue Expenditure Funded from Capital under Statute

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

1.18 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.

<u>The Council as Lessee</u>

<u>Finance Leases</u>

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds (Minimum Revenue Provision (MRP)) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

1.19 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but not less frequently than every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

<u>Impairment</u>

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

Where impairment losses are identified, they are accounted for as follows:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) and assets that are not yet available for use (e.g. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment –straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer on acquisition
- infrastructure – straight-line allocation over 20 years.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, this is adjusted for by the valuer who provides a composite asset and asset life which represents the weighted average of the components.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals 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 Movement in Reserves Statement.

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

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.21 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 to score against the Surplus or Deficit on the Provision of Services in the CIES. 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, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

1.22 VAT

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

1.23 Accounting for schools

<u>Revenue Income and Expenditure</u>

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

<u>Capital</u>

The Council currently holds all local authority maintained schools on the Balance Sheet. This includes academy buildings on an operating lease, which will be kept on the Council’s Balance Sheet until finance lease arrangements are signed. 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). REFCUS refers to any expenditure that should be treated as capital but where the Council does not own the asset. This expenditure is reported through the Comprehensive Income and Expenditure Statement.

1.24 Council Tax and Business Rates

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 fun (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.

<u>Accounting for Council Tax and Business Rates</u>

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.

1.25 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.

1.26 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.

1.27 Private Finance Initiative (PFI) and Similar Contracts

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into 4 elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

1.28 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.

1.29 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 changes to the Code. The Council does not report to Members throughout the year on recharges therefore the Comprehensive Income and Expenditure Statement is based on the Council's internal reportable segments which were created as part of the SSA with Wandsworth Council.

Note 2 – Accounting standards Issued, Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully by the Council in the 2019/20 financial statements. The Council is required to disclose information relating to the expected impact of the accounting changes on the financial statements because of adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council.

<u>Amendments to IAS 40 Investment Property: Transfers of Investment Property</u>

The amendment provides clarification about when a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

This change will apply to local authorities and may impact on local authority accounting policies.

<u>Annual Improvements to IFRS Standards 2014 - 2016 Cycle</u>

CIPFA/LASAAC is of the view that none of the amendments will have a substantial application to local authorities. One of the amendments within the Annual Improvements, the amendments to IFRS 12 Disclosure of Interests in Other Entities, clarifies the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Although this amendment does not relate to common transactions for local authorities it has been included in the Code as it is important that the Code includes full details of the scope of the main standards that it adopts.

<u>IFRIC 22 Foreign Currency Transactions and Advance Consideration</u>

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. IAS 21 The Effects of Changes in Foreign Exchange Rates does not apply regularly to local authorities although may apply to pension funds.

CIPFA/LASAAC does not consider that the IFRIC will have a wide application in local authorities.

<u>IFRIC 23 Uncertainty over Income Tax Treatments</u>

For some transactions within the scope of IAS 12 Income Taxes it may be uncertain how income tax law applies. In that case an entity considers if it is probable that the tax treatment will be accepted.

If acceptance is not probable the entity reflects the uncertainty through use of either a 'most likely amount' or an 'expected value' approach. The IFRIC permits either full retrospective restatement or retrospective restatement with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

IAS 12 Income Taxes does not apply to local authority single entity financial statements. It may affect the Group Accounts and possibly pension fund accounts.

<u>Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation</u>

Under the current IFRS 9 Financial Instruments requirements, the solely payments of principal and interest condition is not met if the lender must make a settlement payment in the event of termination by the borrower. The amendments to IFRS 9: Prepayment Features with Negative Compensation allow entities to measure particular financial assets with prepayment features with so called negative compensation at amortised cost or at fair value through comprehensive income if a specified condition is met, instead of at fair value through profit or loss.

Other Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest.

There are specific transitional reporting requirements for the amendments to IFRS 9 in relation to the designation of financial assets and financial liabilities at fair value through profit or loss. The revocations of previous designations and the permission to designate are unlikely to apply to local authorities because of the changes.

Note 3 - 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.

- 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 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 £15.4m has been reported in 2018/19 compared to a loss of £9.0m in 2017/18. AfC have also reported a trading loss for 2018/19 of £6.7m (£12.3m in 2017/18). Despite the significant accounting losses reported in

2018/19 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 £53.1m (£37.7m in 2017/18). This change reflects an increase in employer contribution rates from 15.5% to 16% effective from April 2017 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: http://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 directly 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 apportionments have been incurred by LB Richmond and Wandsworth Council during 2018/19 in line with service provision.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2019 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 19 was £1,168m. A change in value of 1% on 20%

(approximately 1 year of valuation) of that value is £2.3m. 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:

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

The Council's Actuary provides advice on these estimates. The effect of changes in individual assumptions can be measured, but the assumptions interact in complex ways. The Council takes advice from its Actuary regarding appropriate assumptions and relies on its actuary for the calculations of their effects. A sensitivity analysis is detailed in Note41.

Arrears

At 31 March 2019 the Council had a balance of £17.4m in respect of sundry debtors. Of this debt £7.3m 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 £10.1m.

There is impairment for doubtful debts of £2.6m. 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 £1.9m in 2018/19 (£1.5m in 2017/18). 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 £2.7m and investments of £5.7m at 31 March 2019 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 £0.03m.

The financing of the capital programme for 2019/20 includes an estimated £21.1m borrowing. The impact of a 1% change in interest rates on this new borrowing would change the cost by £0.2m.

Note 5 - 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 2018/19 the following material item was reported as part of the accounts:

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 as at 31 March 2019 and the permitted use of this building is detailed in the agreement.

Note 6 - Events After the Balance Sheet Date

There have been recent Court of Appeal judgements in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. These decisions relate to cases in progress at balance sheet date. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS. This is therefore expected to have a significant impact on the Council's accounts.

The Council's actuary has estimated impact on the total liabilities at 31 March 2019 as a past service cost and this has resulted in an increase in the defined benefit obligation as at 31 March 2019. It should be noted that this adjustment is an estimate of the potential impact on the Employer's defined benefit obligation based on their interpretation of the analysis carried out by the Government Actuary's Department (GAD) and the Council's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

Note 7 -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.

2017/18 Net Expenditure Chargeable to the General Fund Balance	**2017/18** Adjustments	**2017/18** Net Expenditure in the Compre-hensive Income and Expenditure Statement		**2018/19** Net Expenditure Chargeable to the General Fund Balance	**2018/19** Adjustments	**2018/19** Net Expenditure in the Compre-hensive Income and Expenditure Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
54,974	3,709	58,683	Adults Social Services	52,329	3,570	55,899
38,165	25,809	63,975	AfC Client Side and Residual Functions	36,328	49,566	85,894
4,131	2,963	7,094	Chief Executive's Group	3,414	3,589	7,003
(27,625)	24,290	(3,335)	Central Items	(18,569)	16,474	(2,095)
19,665	11,724	31,389	Environment and Community Services	20,258	(64)	20,194
6,580	9,775	16,355	Housing and Regeneration	6,424	9,230	15,654
23,879	(2,606)	21,272	Resources	25,223	2,439	27,662
119,770	**75,664**	**195,434**	**Net Cost of Services**	**125,407**	**84,804**	**210,211**
(119,770)	(24,884)	(144,655)	Other Income and Expenditure	(125,407)	(20,229)	(145,636)
0	**50,780**	**50,780**	**Surplus or Deficit on Provision of Services**	**0**	**64,575**	**64,575**
(9,956)			Opening General Fund Balance	(9,956)		
(9,956)			**Closing Combined General Fund Balance**	**(9,956)**		

Note 7a - Note to the Expenditure and Funding Analysis

2018/19	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Adults Social Services	2,966	1,476	0	(872)	3,570
AfC Client Side and Residual Functions	51,992	(1,596)	0	(830)	49,566
Chief Executive's Group	1,492	834	0	1,263	3,589
Central Items	(3)	0	0	16,477	16,474
Environment and Community Services	6,180	2,410	0	(8,654)	(64)
Housing and Regeneration	7,397	811	0	1,022	9,230
Resources	196	3,587	0	(1,344)	2,439
Net Cost of Services	**70,220**	**7,522**	**0**	**7,062**	**84,804**
Other Income and Expenditure	0	5,998	0	(26,228)	(20,229)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**70,220**	**13,520**	**0**	**(19,166)**	**64,575**

2017/18	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Adults Social Services	1,018	2,547	0	144	3,709
AfC Client Side and Residual Functions	9,326	5,461	0	11,023	25,809
Chief Executive's Group	1,643	1,342	0	(22)	2,963
Central Items	0	0	0	24,290	24,290
Environment and Community Services	11,531	3,513	0	(3,320)	11,724
Housing and Regeneration	3,556	828	0	5,391	9,775
Resources	99	(1,868)	0	(837)	(2,606)
Net Cost of Services	**27,172**	**11,823**	**0**	**36,670**	**75,664**
Other Income and Expenditure	0	7,045	0	(31,929)	(24,884)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**27,172**	**18,868**	**0**	**4,741**	**50,780**

Note 8 - Expenditure and Income Analysed by Nature

2017/18 £000	Nature of Expenditure or Income	2018/19 £000
(86,054)	Fees, charges and other service income	(75,992)
(2,261)	Interest and investment income	(2,538)
(142,673)	Income from local taxation	(149,978)
(240,459)	Government grants and contributions	(237,266)
144,821	Employee benefits expenses	143,244
753	Support service recharge expenditure	897
299,663	Other service expenses	292,090
48,513	Depreciation, amortisation and impairment	75,977
4,852	Interest payments	5,861
8,275	Precepts and levies	8,532
19	Payments to Housing Capital Receipts Pool	0
15,331	Gain or loss on disposal of non-current assets	3,747
50,780	**Surplus or Deficit for Year**	**64,575**

Note 9 - 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 authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

2018/2019	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)	(13,520)			13,520
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	108			(108)
Council tax and NDR (transfers to or from the Collection Fund)	700			(700)
Holiday pay (transferred to the Accumulated Absences reserve)	(564)			564
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)	(63,358)		(17,573)	80,931
Total Adjustments to Revenue Resources	**(76,634)**	**0**	**(17,573)**	**94,207**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	636	(636)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	4,999			(4,999)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,871			(2,871)
Total Adjustments between Revenue and Capital Resources	**8,506**	**(636)**	**0**	**(7,870)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		230		(230)
Application of capital grants to finance capital expenditure			14,674	(14,674)
Cash payments in relation to deferred capital receipts		(251)		251
Total Adjustments to Capital Resources	**0**	**(21)**	**14,674**	**(14,653)**
Total Adjustments	**(68,128)**	**(657)**	**(2,899)**	**71,684**

Represented 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)	(18,868)			18,868
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)	(38,614)		(26,989)	65,603
Total Adjustments to Revenue Resources	**(55,559)**	**0**	**(26,989)**	**82,548**
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			28,164	(28,164)
Cash payments in relation to deferred capital receipts		(208)		208
Total Adjustments to Capital Resources	**0**	**834**	**28,164**	**(28,998)**
Total Adjustments	**(46,526)**	**(278)**	**1,175**	**45,629**

The prior year figures in the table have been re-presented to comply with best practice illustrated in CIPFA's Code of Practice on Local Authority Accounting. The lines that have changes are *pension cost* and *reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure*. These changes are purely presentational and have not changed any closing balances.

Note 10 - Transfers to/from Earmarked Reserves

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Dedicated Schools Grant Reserve	5,816	0	2,154	**7,970**	0	2,984	**10,954**
Schools' Balances Reserves	(7,958)	(5)	594	**(7,369)**	(1,642)	0	**(9,011)**
PFI Reserve (Education)	(4,670)	(650)	0	**(5,320)**	(551)	0	**(5,871)**
Council Tax Freeze Reserve	(4,486)	0	1,800	**(2,686)**	0	1,200	**(1,486)**
PFI Reserve (Social Services)	(3,427)	(14)	0	**(3,442)**	(29)	0	**(3,470)**
Richmond CCG Contributions Reserve	(3,032)	(149)	1,588	**(1,593)**	0	0	**(1,593)**
Section 106 Revenue Contributions Reserve	(2,745)	0	265	**(2,480)**	(146)	981	**(1,646)**
Repairs and Renewals Fund Reserve	(2,671)	(497)	192	**(2,976)**	(466)	24	**(3,418)**
Waste and Recycling Reserve	(2,239)	(620)	911	**(1,948)**	(1)	333	**(1,616)**
Invest to Save Fund Reserve	(3,245)	(3,661)	933	**(5,973)**	0	1,160	**(4,813)**
General Insurance Reserve	(1,522)	(7)	180	**(1,349)**	(454)	0	**(1,803)**
Financial Resilience Reserve	0	0	0	**0**	(6,590)	0	**(6,590)**
Learning Disability and Health Reform Grant Reserve	(1,059)	0	305	**(754)**	0	0	**(754)**
All in One Uplift Reserve	(861)	0	450	**(411)**	0	225	**(186)**
Climate Change Reserve	(529)	(26)	0	**(555)**	(21)	0	**(577)**
Section 256 Public Health Contributions Reserve	(502)	0	67	**(435)**	0	0	**(435)**
S31 NNDR Grants Reserve	(310)	0	300	**(10)**	0	0	**(10)**
Schools Maternity and Supply Cover Scheme Reserve	(24)	(303)	0	**(328)**	(130)	0	**(458)**
Other minor earmarked reserves under £500k	(4,772)	(607)	1,055	**(4,324)**	(689)	261	**(4,752)**
Total General Fund	**(38,236)**	**(6,539)**	**10,793**	**(33,983)**	**(10,720)**	**7,167**	**(37,535)**

Note 11 - Other Operating Expenditure

2017/18 £000		2018/19 £000
8,275	Levies	8,532
19	Payments to the Government Housing Capital Receipts Pool	0
15,330	Gains/losses on the Disposal of Non-Current Assets	3,747
300	Home Loans Unit - Distribution of Capital Receipts	0
23,924	**Total Other Operating Expenditure**	**12,279**

Note 12 - Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
4,852	Interest payable and similar charges	5,861
7,045	Net interest on the net defined benefit liability (asset)	5,998
(2,261)	Interest receivable and similar income	(2,538)
(510)	Income and expenditure in relation to investment properties and changes in their fair value	(1,757)
9,127	**Total**	**7,564**

Note 13 - Taxation and Non-Specific Grant Income

The Council credited the following grants, contributions and donations to Taxation and Non-Specific Grant income in the CIES:

2017/18 £000		2018/19 £000
(120,550)	Council tax income	(127,857)
(22,124)	Non-domestic rates income and expenditure	(22,121)
(8,034)	Non-ringfenced government grants	(4,926)
(26,997)	Capital grants and contributions	(10,576)
(177,705)	**Total**	**(165,480)**

Note 14 - Property, Plant and Equipment

Movements in Property, Plant and Equipment (PP&E) 2018/19 are as follows:

Movements to 31 March 2019

	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 2018	1,077,875	13,760	110,487	20,583	18,391	21,822	**1,262,918**
Additions	5,401	656	4,511	2	7	4,728	**15,305**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(57,953)	0	0	0	(858)	0	**(58,811)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(55,337)	0	0	0	0	0	**(55,337)**
Derecognition – disposals	(1,787)	(6,048)	(3,237)	0	(75)	0	**(11,147)**
Reclassifications and transfer	23,094	0	0	0	0	(23,094)	**0**
at 31 March 2019	**991,293**	**8,368**	**111,761**	**20,585**	**17,465**	**3,456**	**1,152,928**
Accumulated Depreciation and Impairment							
at 1 April 2018	(1,666)	(9,686)	(22,135)	(101)	(130)	0	**(33,718)**
Depreciation charge	(8,742)	(532)	(4,405)	0	(30)	0	**(13,708)**
Depreciation written out to the Revaluation Reserve	7,177	0	0	0	17	0	**7,194**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,740	0	0	0	140	0	**1,880**
Derecognition – disposals	15	5,781	989	0	0	0	**6,785**
at 31 March 2019	**(1,475)**	**(4,436)**	**(25,551)**	**(101)**	**(3)**	**0**	**(31,566)**
Net Book Value at 31 March 2019	**989,818**	**3,932**	**86,210**	**20,484**	**17,462**	**3,456**	**1,121,362**
Net Book Value at 31 March 2018	**1,076,209**	**4,074**	**88,351**	**20,482**	**18,261**	**21,822**	**1,229,200**

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)	**(194)**
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**	**88,351**	**20,482**	**18,261**	**21,822**	**1,229,200**
Net Book Value at 31 March 2017	**713,234**	**11,630**	**87,752**	**20,482**	**18,572**	**11,994**	**863,664**

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 – 20 Years

Capital Commitments
At 31 March 2019, 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 details of contracts over £100k.

Capital Scheme	**2018/2019 £000**
Barnes - Expansion	4,000
Busen TAVR	1,290
Strathmore at Grey Court	725
Malden Oaks - Alternative Provision (Strathmore site)	600
Meadlands Primary	435
Russell and Strathmore Primary School	665
Stanley Primary school	3,148
105 Queens Road	775
Collis KS1 rebuild - 4 classroom & Nursery expansion	1,979
Carlisle Infants Toilet refurbishment	250
Barnes Roof Replacement	250
Other schemes under £100k	63
TOTAL	**14,180**

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 a revaluation within the 5 year period. In 2018/19, the Council's External Valuer (Wilks Head and Eve) was asked to assess all land and building assets subject to a 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 2019. Valuations of land and buildings were carried out in accordance with the methodologies and basis of estimation set out in the professional standards of RICS.

Note 15 - Heritage Assets

Movements in heritage assets are as follows:

2018/19	Art Collection	Land and Buildings	Civic Regalia	Total
	£000	£000	£000	£000
Opening Balance	1,938	277	572	2,788
Revaluations	0	(101)	0	(101)
Depreciation	0	(4)	0	(4)
Closing Balance	**1,938**	**172**	**572**	**2,682**

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

The Council's art collection includes approximately 3,000 paintings from various artists dating back to the early 19th century. These paintings 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 estimating 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 16 - Investment Properties

31 March 2018 £000	Investment Property Income and Expenditure	31 March 2019 £000
(673)	Rental income from investment property	(817)
5	Direct operating expenses from investment property	0
(668)	**Net (gain)/loss**	**(817)**

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority 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 2018 Non-Current £000	Investment Properties Movements in Year	31 March 2019 Non-Current £000
18,140	Opening Balance	17,982
	Additions:	
0	Disposals	(130)
0	Other Derecognition	0
(158)	Net gains/losses from fair value adjustments	1,069
17,982	**Balance at the end of the year**	**18,921**

<u>Valuation Techniques used to Determine Fair Values for Investment Properties -Significant Observable Inputs (Level 2)</u>
The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Note 17 - Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generally software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority.

31st March 2018 Other Assets £000	Total £000		31st March 2019 Other Assets £000	Total £000
		Balance at start of year:		
1,496	1,496	Gross carrying amounts	1,690	1,690
(1,424)	(1,424)	Accumulated amortisation	(1,443)	(1,443)
72	**72**	**Net carrying amount at start of year**	**247**	**247**
0	0	Other disposals	(50)	(50)
194	194	Reclassifications and transfers	0	0
(18)	(18)	Amortisation for the period	(97)	(97)
0	0	Amortisation written off on disposal	29	29
247	**247**	**Net carrying amount at end of year**	**129**	**129**
		Comprising:		
1,690	1,690	Gross carrying amounts	1,640	1,640
(1,443)	(1,443)	Accumulated amortisation	(1,511)	(1,511)
247	**247**	**Total**	**129**	**129**

Note 18 - Financial Instruments

Non-Current Financial Assets

	Investments 31 March 2018 £000	Investments 31 March 2019 £000	Debtors 31 March 2018 £000	Debtors 31 March 2019 £000	PFI debtor - future amounts from VA schools 31 March 2018 £000	PFI debtor - future amounts from VA schools 31 March 2019 £000	Total 31 March 2019 £000
Pre IFRS 9 Categories							
Loans and receivables	750		14,562		6,540		0
Other			2,501				0
IFRS 9 Categories							
Amortised cost		750		16,783		6,281	**23,814**
Total financial assets	**750**	**750**	**17,063**	**16,783**	**6,540**	**6,281**	**23,814**

Current Financial Assets

	Investments 31 March 2018 £000	Investments 31 March 2019 £000	Debtors 31 March 2018 £000	Debtors 31 March 2019 £000	PFI debtor - future amounts from VA schools 31 March 2018 £000	PFI debtor - future amounts from VA schools 31 March 2019 £000	Total 31 March 2019 £000
Pre IFRS 9 Categories							
Loans and receivables	7,129		51,229		218		0
IFRS 9 Categories							
Amortised cost		32,253		45,436		218	**77,907**
Total financial assets	**7,129**	**32,253**	**51,229**	**45,436**	**218**	**218**	**77,907**

Non-Current Financial Liabilities

	Borrowings		Creditors		Other long-term liabilities		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Amortised cost	(112,742)	(117,473)	0	0	0	0	(117,473)
Other	0	0	(24)	(2)	(24,731)	(23,225)	(23,227)
Total financial liabilities	**(112,742)**	**(117,473)**	**(24)**	**(2)**	**(24,731)**	**(23,225)**	**(140,700)**

Current Financial Liabilities

	Borrowings		Creditors		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Amortised cost	(6,373)	(7,134)	(30,844)	(37,769)	(44,902)
Other	0	0	(1,363)	(1,477)	(1,477)
Total financial liabilities	**(6,373)**	**(7,134)**	**(32,207)**	**(39,245)**	**(46,379)**

Income, Expense, Gains and Losses

	31 March 2018	31 March 2019
	Surplus or Deficit on the Provision of Services £000	Surplus or Deficit on the Provision of Services £000
Interest revenue:		
• financial assets measured at amortised cost	(2,261)	(2,538)
Total interest revenue	**(2,261)**	**(2,538)**
Interest expense	**4,905**	**5,861**

Note 19 - Debtors

31 March 2018 £000		31 March 2019 £000
19,453	Trade Receivables	20,842
2,660	Prepayments	1,806
16,117	Other Local Authorities	11,441
12,202	Other Entities and Individuals	14,905
7,407	NHS Bodies	5,849
7,573	Central Government Bodies	13,017
65,412	**Total**	**67,861**

Note 19a - Debtors for Local Taxation

	31 March 2019 £000
Less than three months	276
Three to six months	345
Six months to one year	844
Over one year	5,003
Total	**6,468**

This is a new table and prior year comparator data could not be generated retrospectively.

Note 20 - Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2018 £000		31 March 2019 £000
(558)	Cash and Bank balances	(673)
19,605	Short Term Deposits	5,706
19,046	**Total Cash and Cash Equivalents**	**5,034**

Note 21 - Creditors

31 March 2018 £000		31 March 2019 £000
(8,918)	Trade payables	(14,589)
(5,992)	Central Government Bodies	(6,913)
(10,456)	Other Local Authorities	(9,128)
(245)	NHS Bodies	(487)
(30,623)	Other Entities and Individuals	(32,459)
(56,235)	**Total Creditors**	**(63,576)**

Note 22 - Provisions

Current Provisions

2018/19	Central Insurance Fund £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Opening Balance	(184)	(1,484)	(816)	(2,484)
Increase in provision during year	(99)	(1,763)	125	(1,737)
Utilised during year	45	1,313	0	1,358
Unused Amounts Reversed	139	0	0	139
Closing Balance	**(99)**	**(1,934)**	**(691)**	**(2,724)**

2017/18	Central Insurance Fund £000	Business Rates Appeals £000	Other Provisions £000	Total £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)**

Long Term Provisions

2018/19	Central Insurance Fund £000	Total £000
Opening Balance	(1,059)	(1,059)
Increase in provision during year	(613)	(613)
Utilised during year	156	156
Unused Amounts Reversed	903	903
Closing Balance	**(613)**	**(613)**

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

2017/18 £000	Total Provisions	2018/19 £000
(5,060)	Opening Balance	(3,543)
(1,656)	Increase in provision during year	(2,350)
2,327	Utilised during year	1,514
847	Unused Amounts Reversed	1,042
(3,543)	**Closing Balance**	**(3,337)**

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 and the subsequent introduction of the 100% retention of Business Rates Pilot in London, the Council has taken on 64% 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 made as at 31 March 2019 is £3m compared to £4.9m at 31 March 2018 (included in the Collection Fund) and the Council's share of this liability is £1.9m compared to £1.5m for 2017/18 (included in the Council's Accounts). This has been calculated based on appeals outstanding at the 31 March adjusted for historic 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 23 - Usable Reserves

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

Capital Receipts Reserve

31 March 2018 £000		31 March 2019 £000
(2,680)	Balance 1 April	(2,960)
(1,431)	Capital Receipts in year	(636)
(208)	Deferred Receipts realised	(251)
19	Capital Receipts Pooled	0
300	Home Loans Unit - Distribution of Capital Receipts	0
1,042	Capital Receipts used for financing	230
(2,959)	**Balance 31 March**	**(3,617)**

Capital Grants Unapplied

31 March 2018 £000		31 March 2019 £000
(13,959)	Balance 1 April	(12,793)
(26,998)	Capital grants recognised in year	(17,573)
28,164	Capital grants and contributions applied	14,674
(12,793)	**Balance 31 March**	**(15,692)**

Note 24 - Unusable Reserves

31 March 2018 £000		31 March 2019 £000
(568,218)	Revaluation Reserve	(512,871)
(503,219)	Capital Adjustment Account	(448,690)
579	Financial Instruments Adjustment Account	471
244,998	Pension Reserve	205,755
(16,454)	Deferred Capital Receipts Reserve	(16,204)
(3,900)	Collection Fund Adjustment Account	(4,600)
2,866	Accumulated Absences Account	3,430
(843,348)	**Total**	**(772,709)**

Revaluation Reserve

31 March 2018 £000		31 March 2019 £000
(193,001)	**Balance 1 April**	**(568,218)**
(415,252)	Upward revaluation of assets	(98,243)
32,236	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	149,959
(383,017)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**51,718**
3,489	Difference between fair value depreciation and historical cost depreciation	3,017
4,311	Accumulated gains on assets sold or scrapped	612
7,800	**Amount written off to the Capital Adjustment Account**	**3,629**
(568,218)	**Balance 31 March**	**(512,871)**

Capital Adjustment Account

31 March 2018 £000		31 March 2019 £000
(524,122)	**Balance 1 April**	(503,219)
13,411	Charges for depreciation and impairment of non-current assets	13,712
21,316	Revaluation losses on non-current assets	53,457
18	Amortisation of intangible assets	97
13,743	Revenue expenditure funded from capital under statute	10,249
16,987	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	4,513
65,475	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	82,029
(7,800)	Adjusting Amounts written out of the Revaluation Reserve	(3,629)

57,675	**Net written out amount of the cost of non-current assets consumed in the year**	78,400
(1,042)	Use of Capital Receipts Reserve to finance new capital expenditure	(230)
(28,164)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(14,674)
(4,317)	Statutory provision for the financing of capital investment charged against the General Fund balances	(4,999)
(3,379)	Capital expenditure charged against the General Fund balances	(2,871)
(36,902)	**Capital financing applied in year:**	(22,774)
158	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,069)
(28)	Other movements	(28)
(503,219)	**Balance 31 March**	**(448,690)**

Financial Instruments Adjustment Account

31 March 2018 £000		**31 March 2019 £000**
687	**Balance 1 April**	579
(108)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(108)
579	**Balance 31 March**	**471**

Pension Reserve

31 March 2018 £000		**31 March 2019 £000**
266,317	**Balance 1 April**	**244,998**
(40,187)	Remeasurements of the net defined benefit (liability)/asset	(52,763)
34,180	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	28,113
(15,312)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,593)
244,998	**Balance 31 March**	**205,755**

Deferred Capital Receipts Reserve

31 March 2018 £000		**31 March 2019 £000**
(16,438)	Balance 1 April	(16,454)
(225)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
209	Transfer to the Capital Receipts Reserve upon receipt of cash	251
(16,454)	**Balance 31 March**	**(16,204)**

Collection Fund Adjustment Account

31 March 2018 £000		31 March 2019 £000
(1,847)	Balance 1 April	(3,900)
(2,053)	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	(700)
(3,900)	**Balance 31 March**	**(4,600)**

Accumulated Absences Account

31 March 2018 £000		31 March 2019 £000
2,628	**Balance 1 April**	2,866
(2,630)	Settlement or cancellation of accrual made at the end of the preceding year	(2,868)
2,868	Amounts accrued at the end of the current year	3,432
238	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	564
2,866	**Balance 31 March**	**3,430**

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

The cash flows for operating activities include the following items:

31 March 2018 £000		31 March 2019 £000
(2,286)	Interest received	(2,415)
4,714	Interest paid	6,866
2,428	**Total**	**4,451**

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

31 March 2018 £000		31 March 2019 £000
(13,411)	Depreciation	(13,712)
(21,316)	Impairment and downward valuations	(53,456)
(18)	Amortisation	(97)
(6,319)	(Increase)/decrease in creditors	(5,230)
15,452	Increase/(decrease) in debtors	2,319
(26)	Increase/(decrease) in inventories	1
(13,169)	Movement in pension liability	(13,520)
(16,987)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,513)
1,731	Other non-cash movements charged to the surplus or deficit on provision of services	1,276
(54,063)	**Total**	**(86,932)**

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

31 March 2018 £000		31 March 2019 £000
1,880	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	636
26,998	Any other items for which the cash effects are investing or financing cash flows	17,573
28,878	**Total**	**18,209**

Note 26 - Cash Flow from Investing Activities

31 March 2018 £000		31 March 2019 £000
30,828	Purchase of property, plant and equipment, investment property and intangible assets	15,300
154,400	Purchase of short-term and long-term investments	64,900
(657)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,058)
(167,900)	Proceeds from short-term and long-term investments	(39,900)
(34,190)	Other receipts from investing activities	(17,729)
(17,519)	**Net cash flows from investing activities**	**21,513**

Note 27 - Cash Flow from Financing Activities

31 March 2018 £000		31 March 2019 £000
(10,007)	Cash receipts of short-term and long-term borrowing	(10,014)
999	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,125
1,385	Repayments of short-term and long-term borrowing	4,517
(4,573)	Other payments for financing activities	1,019
(12,196)	**Net cash flows from financing activities**	**(3,353)**

Note 28 - Acquired and Discontinued Operations

None to report

Note 29 - Pooled Budgets

The Council has 3 pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2019. These are:

The Better Care Fund (BCF)

The BCF 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 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.

2017/18 £000	Better Care Fund	2018/19 £000
(6,390)	Authority Funding	(6,238)
(5,275)	Partner Funding	(5,375)
(11,665)	Total Pooled Funding	(11,613)
6,390	Authority Expenditure	6,238
5,275	Partner Expenditure	5,375
11,665	Expenditure	11,613
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

The Joint Integrated Rapid Response Service

The Council entered into a S75 agreement with Hounslow and Richmond Community Healthcare Trust (HRCH) in April 2015 to operate a Joint Integrated Rapid Response Service. 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 £0.2m deficit in 2018/19.

2017/18 £000	**Rapid Response Service**	**2018/19 £000**
(1,710)	Authority Funding	(1,789)
(1,246)	Partner Funding	(1,247)
(2,956)	Total Pooled Funding	(3,036)
1,103	Authority Expenditure	1,176
1,977	Partner Expenditure	2,016
3,080	Expenditure	3,192
124	**Net Surplus/Deficit on the Pooled Budget**	**156**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Joint Integrated Community Equipment Service

An arrangement between the Council and HRCH where both partners 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

2017/18 £000	**Joint Integrated Community Equipment Service**	**2018/19 £000**
(563)	Authority Funding	(563)
(563)	Partner Funding	(563)
(1,126)	Total Pooled Funding	(1,126)
527	Authority Expenditure	582
527	Partner Expenditure	582
1,054	Expenditure	1,164
(72)	**Net Surplus/Deficit on the Pooled Budget**	**38**
(36)	**Authority Share of the Net Surplus / Deficit**	**19**

Note 30 - 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 the 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 2018 **£000**		**31 March 2019** **£000**
686	Allowances	676
686	**Total Members' Allowances**	676

Note 31 - 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 the salary costs with the remaining balance being charged to Wandsworth.

Senior Officer Remuneration

2018/19		Salary, Fees & Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£
Chief Executive - Paul Martin	**2018/19**	94,575	0	17,024	**111,599**
	2017/18	92,395	0	16,683	**109,078**
Director of Children's Services - Robert Henderson	**2018/19**	104,900	0	18,807	**123,707**
	2017/18	129,545	0	23,318	**152,863**
Director of Resources and Deputy Chief Executive - Mark Maidment	**2018/19**	68,767	0	12,378	**81,145**
	2017/18	63,892	0	11,501	**75,393**
Director of Adult Social Services - Liz Bruce	**2018/19**	71,942	0	0	**71,942**
	2017/18	64,390	0	0	**64,390**
Director of Adult Social Services - Cathy Kerr	**2018/19**	0	0	0	**0**
	2017/18	10,000	0	0	**10,000**
Director of Environment and Community Services - Paul Chadwick	**2018/19**	61,587	0	11,086	**72,673**
	2017/18	58,302	0	10,494	**68,796**
Director of Housing and Regeneration - Brian Reilly	**2018/19**	70,377	0	12,668	**83,045**
	2017/18	65,836	0	11,900	**77,736**
Director of Public Health	**2018/19**	46,763	0	6,724	**53,487**
	2017/18	45,084	0	6,944	**52,028**
Deputy Director of Environment and Community Services	**2018/19**	56,108	0	10,099	**66,207**
	2017/18	54,827	0	9,887	**64,714**
Assistant Director (Operations)	**2018/19**	45,929	0	8,267	**54,196**
	2017/18	51,045	0	9,223	**60,268**
Head of ICT	**2018/19**	54,094	0	9,737	**63,831**
	2017/18	52,679	0	9,537	**62,216**
Assistant Chief Executive (Customer and Partnerships)	**2018/19**	56,618	0	10,191	**66,809**
	2017/18	35,090	0	6,316	**41,406**
Assistant Chief Executive (Policy and Performance)	**2018/19**	39,742	0	7,154	**46,896**

	2017/18	36,534	0	6,610	**43,144**
Total	**2018/19**	**771,402**	**0**	**124,135**	**895,537**
	2017/18	**759,619**	**0**	**122,413**	**882,032**

The annual remuneration includes pension contributions of 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 is the joint Chief Executive of LB Richmond and Wandsworth Council. The Chief Executive's full year remuneration across the SSA in 2018/19 was £301,619

Note 2 - Director of Children's Services - Robert Henderson is a joint Director with 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.

Note 3 - Director of Resources and Deputy Chief Executive, total remuneration across the SSA in 2018/19 was £207,751

Note 4 - Director of Adult Social Services - total remuneration across the SSA in 2018/19 was £194,437

Note 5 - Director of Environment and Community Services - total remuneration across the SSA in 2018/19 was £196,413

Note 6 - Director of Housing and Regeneration - total remuneration across the SSA in 2018/19 was £224,445

Note 7 - Director of Public Health - total remuneration across the SSA in 2018/19 was £144,560

Note 8 - Deputy Director of Environment and Community Services - total remuneration across the SSA in 2018/19 was £178,937

Note 9 - Assistant Director (Operations) - total remuneration across the SSA in 2018/19 was £135,490

Note 10 - Head of ICT - total remuneration across the SSA in 2018/19 was £167,977

Note 11 - Assistant Chief Executive (Customer and Partnerships) - total remuneration across the SSA in 2018/19 was £137,579

Note 12 - Assistant Chief Executive (Policy and Performance) - total remuneration across the SSA in 2018/19 was £126,745

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 officer table above, where LB Richmond's proportion of costs is greater than £50,000

Officer Remuneration

	Number of Employees	
	2017/18	**2018/19**
£50,001 to £55,000	45	32
£55,001 to £60,000	19	21
£60,001 to £65,000	18	21
£65,001 to £70,000	13	12
£70,001 to £75,000	14	13
£75,001 to £80,000	7	10
£80,001 to £85,000	2	4
£85,001 to £90,000	6	2
£90,001 to £95,000	3	4
£95,001 to £100,000	1	1
£100,001 to £105,000	1	1
£105,001 to £110,000	1	1
£110,001 to £115,000	0	1
£125,001 to £130,000	1	0
Total	**131**	**123**

Included in the above figures are teaching and other staff that work in schools (84 in 2018/19 and 93 in 2017/18). 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 are below £50,000.

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

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2017/18	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**
£0-£20,000	6	4	11	4	17	8	126,000	71,390
£20,001 - £40,000	3	1	8	1	11	2	283,000	53,752
£40,001 - £60,000	0	0	2	4	2	4	102,000	188,876
£80,001 - £100,000	0	0	1	1	1	1	85,000	88,589
Total	**9**	**5**	**22**	**10**	**31**	**15**	**596,000**	**402,607**
Add: Amounts provided for in CIES not included in bandings							405,000	(105,149)
Total cost included in CIES							**1,001,000**	**297,458**

The total cost of £0.3m for 2018/19 (£1.0m for 2017/18) 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. There is a credit of £0.1m which relates to the actual cost of exit packages being lower than the estimated provision. The reduction in value of the exit packages between 2018/19 and 2017/18 demonstrates the progress towards completion of the implementation of the SSA which commenced in 2016/17.

Note 32 - External Audit Costs

The Council has incurred the following costs from Ernst & Young in 2018/19: For 2017/18 the Council's external auditor was Grant Thornton.

2017/18 £000		2018/19 £000
92	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	89
15	Fees payable in respect of other services provided by external auditors during the year	33
107	**Total**	**122**

Note 33 - 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 Schools 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 2018/19 are:

DSG Receivable for 2018/19	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			(152,533)
Academy figure recouped for year			43,795
Total DSG after academy recoupment			**(108,738)**
Plus: Brought forward from previous year			7,970
Agreed initial budgeted distribution in year	**0**	**0**	**(100,768)**
Final budget distribution for year	**0**	**0**	**(100,768)**
Less: Actual central expenditure	28,316		28,316
Less: Actual ISB deployed to schools		83,406	83,406
Carry forward to 2019/20	**28,316**	**83,406**	**10,954**

Note 34 - 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 2018 £000		31 March 2019 £000
(3,453)	Revenue Support Grant	0
(2,920)	Transitional Grant	0
(1,662)	Section 31 NNDR Grants	(4,236)
0	Other Non-Ringfenced Grants	(689)
(2,930)	Basic Need Grant	(1,717)
(1,916)	CIL Contributions	(2,167)
(3,487)	Transport for London Grant	0
(1,705)	S106 Contributions	(1,459)
(1,082)	Other Capital Grants under £500k	(619)
(450)	Other Capital Contributions under £500k	(454)
(1,595)	Disabled Facilities Grant	(445)
(555)	Schools Conditions Allocation Grant	(1,709)
(1,042)	HLF Capital Grant for Orleans House Gallery	0
(12,236)	Free Schools Capital Grant	(1,452)
0	Pothole Action Grant	(553)
(35,032)	**Total**	**(15,502)**

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

Credited to Services

31 March 2018 £000		31 March 2019 £000
(102,209)	Dedicated Schools Grant	(108,706)
(64,622)	Housing Benefit Grant	(62,648)
(9,521)	Public Health Grant	(9,276)
(6,390)	Better Care Fund Grant	(6,238)
(3,335)	New Homes Bonus Grant	(2,199)
(3,062)	Pupil Premium Grant	(3,093)
(612)	Schools Sport and Physical Education Grant	(778)
(2,614)	Free School Meals Grant	(2,524)
(494)	Educational Central Services Grant	0
0	Transport for London	(2,750)
(1,342)	Schools' PFI Grant	(1,342)
0	Disabled Facilities Grant	(1,325)
(1,682)	Schools' PFI Contributions	(1,631)
0	CIL Contributions	(806)
(852)	PFI Grant	(852)
(859)	Asylum Seeker Grant	(1,077)
(398)	Other Health Authority Contributions	(4,395)
0	Winter Funding for Adult Social Care	(661)
(413)	Place Funding Grant	(782)
(664)	Adult Social Care Support	(413)
(1,214)	Partners in Practice Grant	(2,512)
(594)	Flexible Homeless Grant	(946)
(4,196)	Other Grants under £500k	(6,355)
(258)	Other Contributions under £500k	(458)
(3)	Donations	0
(205,334)	**Total**	**(221,764)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2018 £000		31 March 2019 £000
(1,744)	Basic Need Grant	(1,744)
(1,744)	**Total**	**(1,744)**

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 (Revenue Grants) - Current Liabilities

31 March 2018 £000		31 March 2019 £000
(3,017)	Partners in Practice Innovation Programme Grant	(1,113)
(536)	Care Act Grant	(530)
(1,160)	Other Grants under £500k	(1,250)
(832)	Dedicated Schools Grant	(32)
(5,545)	**Total**	**(2,925)**

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

31 March 2018 £000		31 March 2019 £000
(36)	Section 106 Contributions	(8)
(836)	Devolved Formula Capital Grant	(836)
0	Basic Needs Grant	(1,069)
(79)	Other Grants under £500k	(174)
(58)	Other Contributions under £500k	(63)
(590)	Schools Conditions Allocation Grant	0
(4,502)	Donated Assets	(4,502)
(6,101)	**Total**	**(6,652)**

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

31 March 2018 £000		31 March 2019 £000
(1,100)	S106 Contributions	(713)
(1,100)	**Total**	**(713)**

Note 35 - Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Council.

This disclosure note has been prepared based on declarations made in respect of related party transactions by the Members of Richmond Borough Council and Chief Officers employed by Wandsworth and Richmond Shared Staffing Arrangement (SSA).

Relationships with group entities (Achieving for Children and Orleans House Trust) are covered in consolidated group accounts.

There are no declarable related party transactions with Chief Officers, Members, or their related parties 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 13 as well as liabilities outstanding at the year-end in relation to those grants.

West London Waste Authority (WLWA)

West London Waste Authority (WLWA) is a waste disposal authority composed of six London borough councils: Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond upon Thames. Councillor P. Fleming was a Council appointed representative. £1.8m was received from WLWA in principal and interest payments.

Richmond Housing Partnership (RHP)

Richmond Housing Partnership (RHP) is a registered housing association which provides social housing on behalf of the Council. Councillor G. Curran and Councillor J-F Burford declared transactions with RHP. Payments totalling £0.5m were made to RHP for supported and other housing services. The Council received £0.8m from the company for services provided during the year.

SPEAR

SPEAR is a provider of Homeless and Supported Living Services for residents. Councillor J. Cardy and Councillor L. Campanale were Trustees of the charity. Councillor B Khosa declared transactions with the charity. During 2018/19, the Council made payments of £0.7m to SPEAR for grants and contributions to rough-sleeping initiatives. Minimal income was received from SPEAR during the year.

South West Middlesex Crematorium Board (SWMCB)

The Board was composed of Councillors of five borough councils: Ealing, Hillingdon, Hounslow, Richmond upon Thames, and Spelthorne. Councillor S. Nicholson was a member on the Board. Mr M. Maidment (Director or Resources and Deputy Chief Executive) was

Treasurer to the Board. The Council has a loan of £1.1m from the SWMCB. During the year, the Council has paid interest on this loan. Minimal income was received from SWMCB during the year.

Richmond Business Improvement District (BID)

Richmond BID is a not-for-profit organisation led by local businesses that aims to improve and enhance the commercial district of Richmond upon Thames. Councillor P. Fleming was a board member until January 2019. The council paid £0.8m in BID levy, minimal grant support was also paid. Minimal income for services was received 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 30. During the year, works and services to the value of £2.3m were commissioned for companies, voluntary and similar organisations in which 52 Members declared an interest. Contracts were entered into in full compliance with the Council's standing orders.

Note 36 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI 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 2018 £000		31 March 2019 £000
164,485	Opening Capital Financing Requirement	171,247
	Capital Investment:	
29,921	Property Plant and Equipment	15,305
13,743	Revenue Expenditure Funded from Capital Under Statute	10,249
43,664	**Total Capital Spending**	**25,554**
	Sources of Finance:	
(1,042)	Capital receipts	(230)
(28,164)	Government Grants and other contributions	(14,674)
	Sums set aside from revenue:	
(3,379)	- Direct revenue contributions	(2,871)
(4,317)	- Minimum revenue provision	(4,999)
(36,902)	**Total Sources of Finance**	**(22,774)**
171,247	**Closing Capital Financing Requirement**	**174,027**

Explanation of movements in year

31 March 2018 £000		31 March 2019 £000
11,079	Increase in underlying need to borrow (supported by government financial assistance)	7,779
(4,317)	Other movements	(4,999)
6,762	**Increase/(decrease) in Capital Financing Requirement**	**2,780**

Note 37 - 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 2018 £000		31 March 2019 £000
4,146	Other Land and Buildings	4,469
453	Vehicles, Plant, Furniture, Equipment and Other	299
4,599	**Total**	**4,768**

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 2018 £000		31 March 2019 £000
1,308	Not later than one year	1,223
3,141	Later than one year and not later than five years	3,502
7,843	Later than five years	8,909
12,292	**Total**	**13,634**

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

31 March 2018 £000		31 March 2019 £000
4,462	Minimum lease payments	4,602
211	Contingent rents	320
(371)	Less: Sublease payments receivable	(371)
4,302	**Total**	**4,552**

Authority as Lessor - Finance Leases

The gross investment is made up of the following amounts:

31 March 2018 £000		31 March 2019 £000
	Finance lease debtor (net present value of minimum lease payments):	
1,621	- non current	1,620
9,683	Unearned finance income	9,563
11,304	**Gross investment in the lease**	**11,183**

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

	Minimum Lease Payments	
	31 March 2018 £000	31 March 2019 £000
Not later than one year	121	121
Later than one year and not later than five years	483	483
Later than five years	10,700	10,579
Total	**11,304**	**11,183**

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 below.

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 2018/19 £0.4m contingent rents were receivable by the Council (£0.4m in 2017/18)

Authority as Lessor - Operating Leases

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

31 March 2018 £000		31 March 2019 £000
95	Not later than one year	1,329
1,603	Later than one year and not later than five years	3,519
14,682	Later than five years	18,347
16,380	**Total**	**23,195**

Note 38 - Service Concession Arrangements

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

Primary Schools PFI Scheme

2018/19 was the 16th 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

2018/19 was the 18th 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 bed spaces provided, and the option to purchase any of he 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.

Property Plant and Equipment

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

Movement in PFI Assets

2018/19	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Cost or Valuation			
at 1 April 2018	10,176	12,567	22,743
Additions	0	77	77
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,202	284	1,486
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	80	1,313	1,393
at 31 March 2019	**11,458**	**14,241**	**25,699**
Accumulated Depreciation and Impairment			
at 1 April 2018	(43)	(51)	(94)
Depreciation charge	(268)	(315)	(583)
Depreciation written out to the Revaluation Reserve	157	231	388
Depreciation written out to the Surplus/Deficit on the Provision of Services	104	76	180
at 31 March 2019	**(50)**	**(59)**	**(109)**
Net Book Value at 31 March 2019	**11,408**	**14,182**	**25,590**
Net Book Value at 1 April 2018	**10,133**	**12,516**	**22,649**

Movement in PFI Assets

2017/18	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
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
at 31 March 2018	**(43)**	**(51)**	**(94)**
Net Book Value at 31 March 2018	**10,133**	**12,516**	**22,649**
Net Book Value at 1 April 2017	**17,696**	**16,817**	**34,513**

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

2018/19	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Balance outstanding at start of year	(7,063)	(7,772)	(14,835)
Payments during the year	640	272	912
Balance outstanding at year-end	**(6,423)**	**(7,500)**	**(13,923)**

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)**

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.

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 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due under PFI schemes - 2018/19

Reimbursement of Capital Expenditure	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	697	297	994
Payable within two to five years	3,479	1,480	4,959
Payable within six to ten years	2,247	2,737	4,984
Payable within eleven to fifteen years	0	2,987	2,987
Total	6,423	7,501	13,924

Interest	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	530	639	1,169
Payable within two to five years	1,431	2,264	3,695
Payable within six to ten years	209	1,943	2,152
Payable within eleven to fifteen years	0	523	523
Total	2,170	5,369	7,539

Payment for Services	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	5,033	3,175	8,208
Payable within two to five years	22,329	15,081	37,410
Payable within six to ten years	12,873	20,887	33,760
Payable within eleven to fifteen years	0	14,694	14,694
Total	40,235	53,837	94,072

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.

Note 39 - Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk: the possibility that other parties might fail to pay amounts due to the Council

- Liquidity risk: the possibility that the Council might not have funds available to meet its commitments to make payments

- Market risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Credit Risk

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

For investments : 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.

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 supplemented with other available information used to help assess risks. This assessment is used to determine appropriate limits for each category of investment. 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 2018/19:

- 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 within parameters set by the Council.

The Council has made a long term loan to West London Waste of £15m to part finance the construction of a new waste facility. This loan was agreed as a Council policy decision as a member of the 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:

Liquidity Risk	**31 March 2018**	**31 March 2019**
	£000	**£000**
Less than one year	6,270	7,233
Between one and two years	4,269	3,830
Between two and five years	13,061	11,999
More Than 5 Years	15,469	17,560
More Than 10 years	79,942	83,985
	119,012	124,607

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 charged to the CI&ES will rise
- Borrowing at fixed rates - the fair value of the borrowing 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 asset 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 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 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 2019, if interest rates had been 1% higher will all other variables held constant, the financial effect would be:

Market Risk - Interest Rate Risk	**31 March 2019 £000**
Increase in interest payable on variable rate borrowings	27
Increase in interest receivable on variable rate investments	(151)
Impact on Surplus or Deficit on the Provision of Services	**(124)**

Note 40 - 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 cost 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 DfE uses a notional fund as a 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 41. 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 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 employees. 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 the 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**	
	2018/19	**2017/18**	**2018/19**	**2017/18**
Total Contributions	£8.7m	£8.5m	£0.1m	£0.1m
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 41 - 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 Scheme which 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 WBC Pension 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 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 Movement in Reserves Statement 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.

These figures include the estimated impact of the McCloud case.

General Fund Transactions

2017/18 LGPS - WBC Pension Fund £000		2018/19 LGPS - WBC Pension Fund £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
25,914	Current service cost	15,873
957	Past service cost	5,976
0	(Gain) / loss from settlements	17
264	Administration expenses	249
7,045	Net interest expense	5,998
34,180	**Total charged to Surplus and Deficit on Provision of Services**	**28,113**

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000		£000
	Re-measurement of the net defined benefit liability comprising:	
(8,654)	Return on plan assets (excluding the amount included in the net interest expense)	(34,837)
0	Actuarial gains and losses arising on changes in demographic assumptions	(48,658)
(31,533)	Actuarial gains and losses arising on changes in financial assumptions	30,732
(40,187)	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(52,763)**
(6,007)	**Total charged to the Comprehensive Income and Expenditure Statement**	**(24,650)**

Movement in Reserves Statement

2017/18 LGPS - WBC Pension Fund £000		**2018/19 LGPS - WBC Pension Fund £000**
(34,180)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(28,113)
	Actual amount charged against the general fund balance for pensions in the year:	
15,312	Employers' contributions payable to scheme	14,593

2017/18 LGPS - WBC Pension Fund £000	**Pensions Assets and Liabilities Recognised in the Balance Sheet**	**2018/19 LGPS - WBC Pension Fund £000**
(835,340)	Present value of the defined obligation	(839,411)
590,342	Fair value of plan assets	633,656
(244,998)	Value of Assets / (Liabilities)	(205,755)
(244,998)	**Net (liability) / asset arising from the defined benefit obligation**	**(205,755)**

2017/18 LGPS - WBC Pension Fund £000	**Movement in the Value of Scheme Assets**	**2018/19 LGPS - WBC Pension Fund £000**
572,871	**Opening fair value of scheme assets**	**590,342**
15,484	Interest income	15,025
	Re-measurement gain / (loss):	
8,654	- The return on plan assets, excluding the amount included in the net interest expense	34,837
0	Other gains / (losses)	(922)
15,312	Contributions from employer	14,593
2,588	Contributions from employees into the scheme	3,684
(24,303)	Benefits / transfers paid	(24,093)
(264)	Administration expenses	(249)
0	Assets Extinguished on Settlement	439
590,342	**Closing value of scheme assets**	**633,656**

2017/18 LGPS - WBC Pension Fund	Movements in the Fair Value of Scheme Liabilities	2018/19 LGPS - WBC Pension Fund
£000		**£000**
(839,188)	**Opening balance at 1 April**	**(835,340)**
(25,914)	Current service cost	(15,873)
(22,529)	Interest cost	(21,023)
(2,588)	Contributions from scheme participants	(3,684)
	Re-measurement gains and losses:	
0	- Actuarial gains / (losses) from changes in demographic assumptions	48,658
31,533	- Actuarial gains / (losses) from changes in financial assumptions	(30,732)
0	- Other	922
(957)	Past service cost	(5,976)
24,303	Benefits / transfers paid	24,093
0	Liabilities extinguished on settlements	(456)
(835,340)	**Balance as at 31 March**	**(839,411)**

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

The pension accounting disclosure reports for 2017/18 prepared in accordance with IAS19 included projections of pensionable pay for Richmond schools which were incorrectly estimated at the time. The correcting accounting adjustments to pensionable pay figures have been made in the 2018/19 accounts.

This has resulted in a net adjustment of £4.358m made to the Pension Fund Defined Benefit Liability and the Pension Reserve.

Asset Allocation

2017/18			2018/19	
LGPS - WBC Pension Fund			**LGPS - WBC Pension Fund**	
£000	**%**		**£000**	**%**
4,517	0.8%	Cash and cash equivalents	17,052	2.7%
433,093	73.3%	Equities	417,991	66.0%
35,832	6.1%	Gilts	17,698	2.8%
48,575	8.2%	Corporate Bonds	70,043	11.1%
17,723	3.0%	Property	25,817	4.1%
50,602	8.6%	Multi-Asset Funds	85,055	13.3%
590,342	**100.0%**	**Scheme assets**	**633,656**	**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 dependant 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:

2017/18	**LGPS - WBC Pension Fund**	**2018/19**
%		**%**
Long term expected rate of return on assets		
4.0%	Gilts (UK Government)	9.0%
Mortality assumptions		
Longevity at retirement for current pensioners		
24.5	Men	23.4
26.1	Women	24.8
Longevity at retirement for future pensioners		
26.8	Men	25.0
28.4	Women	26.6
Other assumptions		
3.30%	Rate of inflation (RPI)	3.35%
2.30%	Rate of inflation (CPI)	2.35%
3.80%	Rate of increase in salaries	3.85%
2.30%	Rate of increase in pensions	2.35%
2.6%	Rate for discounting scheme liabilities	2.45%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 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.

Sensitivity Analysis

		Council	
	£'000	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	823,094	839,411	856,078
Projected Service Cost	20,421	20,946	21,488
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	840,416	839,411	838,411
Projected Service Cost	20,946	20,946	20,946
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	855,059	839,411	824,074
Projected Service Cost	21,487	20,946	20,420
Adjustment to mortality age rating assumption	+ 1 Year	None	-1 Year
Present Value of Total Obligation	871,663	839,411	808,390
Projected Service Cost	21,615	20,946	20,299

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 to 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 2018/19 (£2.5m in 2017/18) 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 42 - 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 2019 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, however the Council are not expecting any material cases. Where possible, details have been disclosed in the note below but for confidentiality reasons the Council cannot disclose the details of all cases.

Achieving for Children (AfC)

The Council owns 40% of AfC. AfC have reported a pension deficit of £53.1m. As joint owners the Council would be responsible for meeting their 40% share of this liability were AfC to cease trading.

Note 43 - 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 2019.

Note 44 - 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.

2018/19

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Orleans House	7	100	6,940	0
Housing Trust	11	0	1,375	0
Other minor trust funds	2	0	264	0
Total	**20**	**100**	**8,579**	**0**

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**

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 consolidated Group Accounts.

Housing Trust

On 18 October 2011, Richmond Housing Partnership (RHP) and LB 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 45 - 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.

31 March 2018		31 March 2019
£000		**£000**
6,986	Equity Shares in Property	6,986
6,986	**Long Term Assets**	**6,986**
422	Short-Term Investments	423
13	Short-Term Debtors	11
1,042	Cash and Cash Equivalents	1,138
1,477	**Current Assets**	**1,572**
(890)	Short-Term Creditors	(942)
(890)	**Current Liabilities**	**(942)**
7,573	**Net Assets**	**7,616**
(587)	Usable Reserves	(630)
(6,986)	Unusable Reserves	(6,986)
(7,573)	**Total Reserves**	**(7,616)**

Note 46 – 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 2018/19 Accounts therefore present the Orleans House Trust as a Subsidiary of the Council and forms part of the group accounts.

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 £1.2m SSA set up costs in 2018/19 and £0.5m in 2017/18.

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 £0.6m in 2018/19 (£2.1m in 2017/18) 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 £2.0m on this Internal Audit shared service in 2018/19 and recovered £1.6m from other partners (£2.0m expenditure and £1.7m income) in 2017/18.

The Council spent £0.1m on the Investigations shared service in 2018/19 and £0.1m in 2017/18.

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 £0.3m in 2018/19 (£0.2m in 2017/18) 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 2018/19 (£0.9m in 2017/18) 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 NNDR) and the Business Rates Supplement (BRS).

31 March 2018					31 March 2019			
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:				
		(146,277)	(146,277)	Council Tax Receivable			(152,823)	(152,823)
(84,328)			(84,328)	Business Rates Receivable	(89,478)			(89,478)
(2,297)		(1)	(2,298)	Transitional Protection Payments Receivable	(924)		(2)	(926)
	(2,313)		(2,313)	Business Rates Supplements receivable		(2,363)		(2,363)
(86,624)	**(2,313)**	**(146,278)**	**(235,215)**	**Total amounts to be credited**	**(90,402)**	**(2,363)**	**(152,824)**	**(245,589)**
				EXPENDITURE:				
				Apportionment of Previous Year Surplus/Deficit:				
(2,500)			(2,500)	Central Government	(1,251)			(1,251)
(1,500)		1,750	250	LB Richmond	(900)		1,750	850
(1,000)		370	(630)	Greater London Council	(849)		361	(488)
				Precepts, demands and shares:				
28,174			28,174	Central Government	0			0
25,613		119,770	145,383	LB Richmond	57,396		125,407	182,803

31,590		24,687	56,277	Greater London Council	32,285		26,119	58,404
				Business Rate Supplement:				
	2,298		2,298	Payment to levying authority's Business Rate Supplement Revenue Account		2,169		2,169
	8		8	Administrative Costs		6		6
	0		0	Doubtful debts		0		0
				Charges to Collection Fund:				
246	0	104	350	Write-offs of uncollectable amounts	358	0	139	496
(223)	7	773	557	Increase/(decrease) in allowance for impairment	407	188	515	1,110
(4,142)			(4,142)	Increase/(decrease) in allowance for appeals	(1,924)			(1,924)
0			0	Transitional Protection Payments Payable	0			0
288			288	Charge to General Fund for allowable collection costs for non-domestic rates	290			290
76,546	**2,313**	**147,455**	**226,313**	**Total amounts to be debited**	**85,812**	**2,363**	**154,290**	**242,465**
(10,078)	**0**	**1,177**	**(8,902)**	**(Surplus)/Deficit arising during the year**	**(4,590)**	**0**	**1,466**	**(3,124)**
6,537	**0**	**(4,602)**	**1,935**	**(Surplus)/Deficit b/f at 1 April 2018**	**(3,541)**	**0**	**(3,425)**	**(6,966)**
(3,541)	**0**	**(3,425)**	**(6,966)**	**(Surplus)/Deficit c/f at 31 March 2019**	**(8,131)**	**0**	**(1,959)**	**(10,090)**

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.

Note 1 - Council Tax Income

2018/19

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	390	6/9	260
B	40,001 - 52,000	1,375	7/9	1,070
C	52,001 - 68,000	9,335	8/9	8,297
D	68,001 - 88,000	16,683	9/9	16,683
E	88,001 - 120,000	17,159	11/9	20,973
F	120,001 - 160,000	11,089	13/9	16,017
G	160,001 - 320,000	12,112	15/9	20,187
H	More than - 320,001	3,293	18/9	6,587
			MOD Properties	48
			Adjustment	(1,351)
			Council tax base	88,771

2017/18

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
			MOD Properties	48
			Adjustment	(1,342)
			Council tax base	88,162

Note 2 - NNDR Rateable value and Multiplier

The rateable value of non-domestic properties at 31 March 2019 was £225.4m (£228.4m for 31 March 2018)

The business rates multiplier foe 2018/19 was 49.3p (47.9p for 2017/18) and the small business multiplier for 2018/19 was 48.0p (46.6p for 2017/18)

Consolidated Group Accounts

Introduction

This section of the Statement of Accounts details the Group financial statements for the Council. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Council controls.

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

Orleans House Trust (OHT)

This year the Council has again assessed Orleans House Trust as a Subsidiary as the Council is sole Trustee. The trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection and has a formal management agreement with the Council which sets out roles and responsibilities of both parties to enable the trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured.

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

2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000		2018/19 Expenditure £000	2018/19 Income £000	2018/19 Net £000
96,368	(37,685)	58,683	Adults Social Services	85,134	(29,235)	55,899
193,726	(129,754)	63,972	AfC Client Side and Residual Functions	229,866	(143,879)	85,987
14,729	(7,634)	7,095	Chief Executive's Group	14,907	(7,904)	7,003
0	(3,335)	(3,335)	Central Items	104	(2,199)	(2,095)
64,665	(33,276)	31,389	Environment and Community Services	55,719	(35,525)	20,194
25,307	(8,952)	16,355	Housing and Regeneration	27,537	(11,883)	15,654
91,584	(70,312)	21,272	Resources	94,567	(66,905)	27,662
486,379	**(290,948)**	**195,431**	**Cost of Services**	**507,834**	**(297,530)**	**210,304**
23,925	0	23,925	Other Operating Expenditure	12,279	0	12,279
27,544	(18,418)	9,126	Financing and Investment Income and Expenditure	25,944	(18,380)	7,564
0	(177,705)	(177,705)	Taxation and Non Specific Grant Income	0	(165,480)	(165,480)
537,848	**(487,071)**	**50,777**	**Surplus or Deficit on Provision of Services**	**546,057**	**(481,390)**	**64,667**
		4,910	Share of the Surplus or deficit of Joint Ventures			2,699
		55,687	**Group Surplus or Deficit**			**67,366**
		(383,016)	Surplus or deficit on revaluation of Property, Plant and Equipment			51,586
		(40,187)	Remeasurement of the net defined benefit liability / asset			(52,763)
		(1,310)	Share of Other CIES of Joint Ventures			3,466
		(424,513)	**Other Comprehensive Income and Expenditure**			**2,289**
		(368,826)	**Total Comprehensive Income and Expenditure**			**69,654**

Group Balance Sheet

31 March 2018 £000		31 March 2019 £000
1,236,794	Property, Plant and Equipment	1,129,088
3,780	Heritage Assets	3,674
17,982	Investment Property	18,922
247	Intangible Assets	129
750	Long Term Investments	750
23,603	Long Term Debtors	23,065
1,283,156	**Long Term Assets**	**1,175,628**
7,129	Short-term Investments	32,253
12	Inventories	12
65,412	Short Term Debtors	67,861
19,237	Cash and Cash Equivalents	5,132
91,790	**Current Assets**	**105,258**
(6,373)	Short-Term Borrowing	(7,134)
(56,234)	Short-Term Creditors	(63,576)
(2,484)	Provisions	(2,724)
(5,545)	Grants Receipts in Advance - Revenue	(2,925)
(1,744)	Grants Receipts in Advance - Capital	(1,744)
(72,380)	**Current Liabilities**	**(78,103)**
(24)	Long-Term Creditors	(2)
(1,059)	Provisions	(613)
(112,742)	Long Term Borrowing	(117,473)
(269,729)	Other Long-Term Liabilities	(229,008)
(1,100)	Grants Receipts in Advance - Revenue	(713)
(6,101)	Grants Receipts in Advance - Capital	(6,652)
(18,694)	Share of Joint Venture Liability	(24,859)
(409,449)	**Long Term Liabilities**	**(379,320)**
893,117	**Net Assets**	**823,463**
(59,879)	Usable Reserves	(66,895)
(851,932)	Unusable Reserves	(781,427)
18,694	Share of Joint Venture Reserves	24,859
(893,117)	**Total Reserves**	**(823,463)**

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 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)**
Movement in reserves during 2018/19				
Surplus or deficit on the provision of services	64,575	0	2,792	67,367
Other Comprehensive Income / Expenditure	0	(1,047)	3,334	2,287
Total Comprehensive Income and Expenditure	**64,575**	**(1,047)**	**6,126**	**69,654**
Adjustments between accounting basis and funding basis under regulations	(71,684)	71,684	0	0
Net Increase or Decrease in 2018/19	**(7,109)**	**70,637**	**6,126**	**69,654**
Balance at 31 March 2019	**(66,797)**	**(772,709)**	**16,042**	**(823,464)**

Group Cash Flow Statement

2017/18 £000		2018/19 £000
55,687	Net (surplus) or deficit on the provision of services	67,367
(58,973)	Adjustment to surplus or deficit on the provision of services for noncash movements	(89,631)
28,878	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	18,209
25,592	**Net cash flows from operating activities**	**(4,055)**
(17,519)	Net cash flows from investing activities	21,513
(12,196)	Net cash flows from financing activities	(3,353)
(4,123)	**Net (increase) or decrease in cash and cash equivalents**	**14,105**
15,115	Cash and cash equivalents at the beginning of the reporting period	19,238
19,238	**Cash and cash equivalents at the end of the reporting period**	**5,133**

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

Opinion

We have audited the financial statements of the London Borough of Richmond-upon-Thames for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the: Authority and Group Comprehensive Income and Expenditure Statement; Authority and Group Balance Sheet; Authority and Group Movement in Reserves Statement; Authority and Group Cash Flow Statement; the related notes 1 to 46; and the Collection Fund and the related notes 1 and 2.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Richmond-upon-Thames and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 below. We are independent of the Authority and Group 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 the Comptroller and Auditor General's (C&AG) AGN01, 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.

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 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 other information comprises the information included in the Accounts for the year 2018/19, other than the financial statements and our auditor's report thereon. The Director of Resources and Deputy Chief Executive is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 obtained in the audit 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the London Borough of Richmond-upon-Thames put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of the Director of Resources and Deputy Chief Executive Responsibilities set out on page 11 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive is responsible for assessing 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 Authority either intends to cease operations, or have no realistic alternative but to do so.

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

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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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 the London Borough of Richmond-upon-Thames 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 London Borough of Richmond-upon-Thames put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Richmond-upon-Thames had put in place proper arrangements to secure 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 satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

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

Delay in certification of completion of the audit

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

Use of our report

This report is made solely to the members of the London Borough of Richmond-upon-Thames, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
15 November 2019

The maintenance and integrity of the London Borough of Richmond-upon-Thames web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Governance Statement 2018/19

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, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Richmond Council has an approved code of corporate governance, which has been 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.

In May 2001, the Council adopted a 'Leader and Cabinet' style of decision making. The Localism Act 2011 gave councils the option of returning to a Committee system to encourage wider Member participation in decision making and greater public engagement in open meetings. This was supported by the new Administration and as a pre cursor to the change, amendments were made to the Overview and Scrutiny functions in May 2018, a Cross-party Member Governance Working Group was established, shadowed by an Officer Group and transitional arrangements were agreed in January 2019. The transition arrangements were designed to enable a seamless transition between the two governance systems between the final Cabinet Meeting, which took place on 4th April 2019 and the first decision-making Committees from May 2019. The transitional arrangements also included a range of delegated decision-making powers to the Chief Executive in consultation with the Leader between the final Cabinet Meeting and the Annual Meeting of the Council . On the 14th May 2019, at the Annual Council meeting, Councillors agreed to the adoption of a committee system which came into effect on the 15th May 2019.The Governance arrangements described below reflect those in place during 2018/19 and not the transitional or new arrangements. .

The CIPFA/ SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of seven 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. Annual reports for adults' social care, children's social care, and corporate complaints were presented to the relevant overview and scrutiny committees. During 2019/20 the councils are intending to procure a comprehensive case management system that will provide enhanced monitoring and reporting capabilities that should enable a more consistent approach to be taken to the recording of complaints.

Ensuring openness and comprehensive stakeholder engagement. The current Corporate Plan runs from 2018 to 2022 but is refreshed annually to ensure that it reflects latest resident feedback and local priorities.

The refreshed draft Corporate Plan was used to inform the annual budget-setting scrutiny process

The Corporate Plan 2018-2022 is published on the Council's website following endorsement by full Council, and is available using the following link: - https://www.richmond.gov.uk/media/7453/corporate_plan.pdf. The Corporate Plan is set around the Council's 4 areas of priority:

- A Greener Borough - Putting the environment at the heart of local decision making; Safeguarding our beautiful borough, protecting our green spaces and improving air quality.
- A Safer Borough - Being the safest London borough; Working in partnership with police and local communities to prevent and tackle crime and improve road safety
- A Fairer Borough - Investing in good local services that protect the most vulnerable; A borough that is affordable for all
- A Borough for Everyone - Making sure residents have a real say over issues that affect them; Making our borough accessible for everyone and promoting opportunity for underrepresented groups

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 is an overview of key projects, programmes and major work the Council will be delivering over the 4-year period, 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 Plan, Community Safety Partnership Plan and the Children and Young People's Plan.
The 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 were submitted to Cabinet (until the final Cabinet meeting on the 4th April) 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. Quarterly performance reports will continue to be reported to the new service Committees from May 2019.
All reports to Cabinet included a risk assessment and were 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 relevant Overview and 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 Members' and Officers' Codes of Conduct are included in the Council's Constitution. Following the local elections, training on the Members' Code of Conduct was provided to all Members.

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 focussed 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'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 Council has a statutory role through the Health and Wellbeing to bring together strategic partners to plan how best to meet the health and care needs and improve the health and wellbeing of the local population. The Council continues to work closely with local health services to improve the integration of health and care services, including partnership working with Richmond Clinical Commissioning Group (CCG) on the development of a draft Local Health and Care Plan 2091-21. The Council has appointed a Head of Health and Care Strategy and a Health Partnerships Manager to lead work on local arrangements for integrated care services and this work is overseen by a Health and Care Leadership Board. Richmond CCG is currently consulting on the creation of a six-borough South West London CCG and development of an Integrated Care System. The Council is engaged with the CCG as these changes are implemented, to mitigate any risks for the Borough.
The Audit and Standards Committee operates in accordance with the CIPFA guidance entitled '*Audit Committees – Practical Guidance for Local Authorities'*. The Committee normally meet four times a year and provide 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 overview and 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, noting the Leader's appointment of Cabinet Members and appointing members of other committees such as Overview and Scrutiny and the various non-executive and joint committees..
The Executive. The Council has a Leader and Cabinet style of decision making pursuant to the provisions of the Local Government Act 2000, 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 and Standards Committee. The Audit and Standards 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. This Committee is also responsible for keeping the Members' Code of Conduct under review and dealing with complaints about the conduct of elected and co-opted Members.

Statutory Accounts Committee. The Statutory Accounts Committee approved the Council's accounts for 2017/18 together with a report from the External Auditor. This Committee is being combined with the Audit and Standards Committee going forward.

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. Since May 2018, Overview and Scrutiny Committees have had a 'pre-decision scrutiny' role in respect of forthcoming Cabinet decisions, which has seen the number of 'post-decision call-ins' reduce in 2018/19.

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 and Standards 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 using this link (*to be inserted following consideration by the Audit and Standards Committee*), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) 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, as with Devolved Management Organisations, the services provided through direct payments are not necessarily subject to the same regulatory regime as traditional care services.
The Director of Adult Social Services has confirmed that progress on the 2017/18 recommendations has continued including making improvements to ensure key information is accurate and consistent. Ongoing enhancements to monitoring arrangements should ensure that all funds are used appropriately and, when necessary, direct payments are ceased on a timely basis.
Further work is being developed by the department and a full audit in 2019/20 is planned to ensure that the improvements made are operating satisfactorily.

(b) 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. 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.
Action has been taken to ensure that systems and processes are compliant with GDPR and the ISO27001 Certification in now in place across both Richmond and Wandsworth administrative sites. The requirements 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.

(c) Knowledge Management
The need to review how services are delivered and managed in light of ongoing significant changes to how local government is funded has resulted in substantial organisational changes including the removal of some tiers of management. The result has been a more streamlined senior management team with officers often taking up an enlarged portfolio of responsibilities but with reduced management support. Whilst this has achieved financial gains it can also impact service resilience and knowledge is spread across a reduced group of officers.
Management Teams are working with Human Resources to ensure service delivery knowledge is documented, supporting succession planning where required, and developments to the employee terms and conditions are being progressed to make the SSA an Employer of Choice amongst prospective applicants.

(d) Contract Management
The Council continues to utilise external parties to provide its services where they provide effective and economic benefits to do so. However, unsatisfactory service delivery through

partners and contractors could 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.

The skills and resources required to manage a contract will be dependent on a number of factors including the value, technical knowledge and sensitivities related to the contract (e.g. vulnerable client group). Typically, the contract manager will need to:

- understand the service objectives that the contract supports
- understand the commercial drivers, including the allocation of risks, that underpin the contractual relationship
- understand the contractor as an organisation and the market in which it operates
- recognise the importance of maintaining good relationships with contractor personnel and with stakeholders, including relevant staff within their own organisation
- understand the contract documents, especially the rights and obligations of each party.

The SSA does not currently have a corporate strategy, corporate guidelines/checklists or corporate training for contract management as current arrangements require Directors to ensure that officers assigned to manage contracts meet the above requirements and where appropriate receive training and support. Whilst there have been no significant issues that have been identified linking poor contract management controls to known issues with service providers or improvements that would have prevented any identified fraud cases a more consistent approach should enhance controls already in place.

Directors Board have endorsed an initial review by Internal Audit to evaluate how a corporate approach to contract management training and guidance for officers could deliver improvements with any recommendations being reported back later in the year.

(e) Financial Management System

An ambitious target of April 2017 was set for full implementation of a new financial management system serving Richmond and Wandsworth Councils together with the outsourcing of transactional services. The nature and complexity of combining the needs for both new key financial systems and changed processes associated with the outsourcing of the transactional services for two authorities ultimately meant that some elements of the system were not fully functional by this date.

The contractor has strengthened their support team which has led to improved resilience, that has been matched by changes to the SSA client team, and this has resulted in improved core system and service functionality resulting in reducing backlogs to transactional processing and enabled to service to progress work on resolving backlogs of issues that built up in the first half of 2017/18.

Service functionality is much improved with satisfactory performance on key system reconciliations. The key focus is now on improvements in service performance to match expectations set within the key performance indicators.

Further work is planned by Internal Audit on both the system and the broader transactional services control framework during the coming year to assess whether all service improvements are fully embedded.

(f) Dedicated Schools Grant (DSG)

A major issue going forward is the financial pressures on the Dedicated Schools Grant (DSG) and other demand led children's social care budgets. The underfunding of children's services and particularly high needs education is a national issue. Richmond is actively lobbying both individually and with other local authorities for a fairer level of funding. This challenging financial context is being exacerbated by escalating need for high needs educational support and social care support particularly in relation to care leavers and unaccompanied asylum seeking children. Whilst this does not directly affect AfC's internal control framework, it does demand a very high standard of budgetary control and threshold management.

The Council has developed a SEND futures plan which sets out how SEND services will be improved through partnership working, parental engagement and investment in the local offer over the coming years. There is a governance framework supporting the delivery of the plan which includes a system wide SEND Partnership Board as well as officer led workstreams. In addition to this plan the Council is required to submit a Deficit Recovery Plan to the DfE which outlines how the funding gap could be addressed over the coming three years. This plan is in development and whilst it will improve the position is unlikely to completely close the high needs education funding gap. The Council is committed to continuing to meet its statutory duty in relation to children and young people despite the funding shortfall and therefore may need to re-prioritise funding if Government do not present a financial solution to this national funding issue.

Social care services are currently being delivered within the existing budget envelope and controls have been introduced to ensure that AfC are achieving maximum value for children within the funding that is available. Need and associated cost in this area remains volatile and is being regularly monitored.

Signed:

Cllr Gareth Roberts	P Martin
Leader of the Council	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 twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

· The actuarial assumptions have changed

ASSET

An item having value to the 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 one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the 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 one 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 one or more uncertain future events not wholly within the Authority's control; or

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

Amount owed by the 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 one accounting period.

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the 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 one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

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

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the 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

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 one 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.