

London Borough of Richmond upon Thames

**Accounts for the year
2019/20**

**Mark Maidment CPFA
Director of Resources and Deputy Chief Executive**

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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 2019/20. 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 and the Council is currently reviewing any changes that may be necessary in responding to the Covid-19 pandemic.

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/ieListDocuments.aspx?CId=805&MIId=5070&Ver=4>

The Covid-19 pandemic

The Covid-19 pandemic has affected everything local authorities do – as community leaders, public health authorities, education authorities, employers, partners and service deliverers. Councils are playing a vital role in supporting communities and local economies during the crisis and, whilst there has been some effect on the 2019/20 Accounts, the true scale of its impact on the Council's finances will only be felt in 2020/21 and beyond.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government's emergency Covid-19 funding for local authorities is taken into account. There is a real risk in some service areas that higher demand will continue beyond any recovery period and lead to an increase in the base level of demand. Whilst the Council is in a position to draw upon reserve balances in 2020/21 to balance its budget if required, the Council will continue to keep the Government informed of the anticipated financial impact and seek full reimbursement of all reasonable costs incurred, including lost income. In the meantime, the Council will need to update its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives.

Future funding

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 and 2020/21 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 (although now postponed to beyond 2021/22). 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. A pilot for the pooling of Business Rates has operated across London since 2018/19 and has seen London retain a greater share of business rate growth, however the Government's wider planned reform of business rates retention has been deferred from 2020/21 until at least 2022.

Increase in demand for services

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 (DSB) which funds schools and the Council's General Fund currently holds the funding risk where grant funding for schools proves insufficient to meet statutory requirements.

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. The latest version of the MTFS can be accessed on the Council's website at: <https://cabnet.richmond.gov.uk/documents/s79301/Appendix%20A%20-%20Medium%20Term%20Financial%20Strategy%20Fairer%20Finances%20and%20Responsible%20Stewardship%20September.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 quarterly performance reports to Service Committees. 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

Before central items and before COVID-19 related costs, the Council recorded a net General Fund underspend in 2019/20 of £0.4m (0.3% of the year's Council Tax Requirement) and an in-year deficit in the DSB of £3.9m relating to ongoing pressures around special education needs spend. Within the General Fund there were over and underspends across the Directorates, reflecting the wide range of services provided and adjustments relating to the receipt of some COVID-19 funding at year-end. 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=4902>

The overall position broken down against each service committee are set out below:

Committee	Revised Budget £000	Outturn (excl Covid 19) £000	Variance £000	Covid 19 Actuals £000
Adult Social Services, Health and Housing	52,407	51,336	(1,071)	186
Education and Children's Services	39,540	40,712	1,172	10
Environment, Sustainability, Culture and Sports	24,483	25,181	698	364
Finance, Policy and Resources	32,632	31,141	(1,491)	478
Transport and Air Quality	(5,410)	(5,156)	254	799
COVID-19 Grant Income	0	0	0	(4,225)
Central Items	(12,441)	(23,481)	(11,040)	0
Transfers to Reserves	0	10,681	10,681	2,388
	131,211	130,414	(797)	0

The underspend largely relates to: the business rates pooling gain in 2019/20 (-£2.2m) and a prior year gain from 2018/19 of £2.4m now recognised in this year's accounts; an underspend on treasury budgets (-£1.2m) and planned revenue funding of capital (-£0.9m) which would normally be used to fund capital; and the unspent contingency budget (-£3.8m). The gain from the NNDR pool and treasury and capital contribution have been transferred to reserves to provide against the expected financial losses that are expected to occur in the current year (+£6.8m), along with a further contribution of £3.9m to provide a partial buffer against the growing DSB deficit.

In addition, adult social care has seen reduced demand for long term social care as a result of the promotion of independence via reablement services (-£0.5m) and the review of contracts within public health services (-£0.3m). The education and children's services overspend (+£1.2m) relates to needs led service budgets for child placements, transport and special education needs plus costs relating to children with disabilities. These cost pressures have increased in recent years without equivalent funding. The year also saw pressures within the waste collection, disposal and recycling service where the prices for recycled materials were lower than previous years and income targets from disposal charges at the waste and recycling site were not achieved (+£0.5m).

The Covid-19 pandemic has led to additional pressures at the end of the financial year, although the larger impact will be experienced in 2020/21 and beyond. The largest impact has been the loss of income due to the closure of services and drop off in demand. The unspent Covid-19 grant received in 2019/20 has been transferred to a reserve and will be used to fund continued Covid-19 related pressures in 2020/21.

Revenue Reserves

The Council's General Fund Reserve at the end of 2019/20 has increased by £797,000 to £10.753m which represents 6.6% of the Council Budget Requirement for 2020/21 and is within the guidelines agreed by the Council.

Earmarked reserves have increased by £10.8m to £41.8m. This overall reserves position includes a new NNDR Reserve to smooth year on year variations in business rate receipts and the carry forward of the first tranche of COVID-19 related grant received in 2019/20 but not yet used. Once these are removed (both being required to offset Covid-19 related losses) the increase in earmark reserves is £3.7m. Within these figures the DSG deficit has increased by £3.9m and, whilst this is outside the Council's direct control, unless recovered in future years, could effectively form a call on the Council's other reserves. Individual schools' reserves have fallen by £1.0m during the year.

Of the £41.8m earmarked reserve balances, £14.4m relates to issues such as 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.

Particularly concerning is the growing deficit reserve associated with the Dedicated Schools Grant (£14.8m at 31st March 2020). The Council has therefore substantially increased its contribution to the offsetting part of the Financial Resilience Reserve.

Capital

The Council has spent £18.9m on the capital programme in 2019/20. This is detailed in the table below.

Committee	Revised Budget £000	Outturn £000	Slippage / amendments £000
Adult Social Services, Health and Housing	3,958	2,356	(1,602)
Education and Children's Services	6,995	6,539	(456)
Environment, Sustainability, Culture and Sports	3,084	1,018	(2,066)
Finance, Policy and Resources	4,950	1,820	(3,130)
Transport and Air Quality	10,368	7,144	(3,224)
	29,355	18,877	(10,478)

The Council carried out a major review of the existing capital budget during 2019/20 as part of the capital programme and funding review in February 2020 and updates its capital budget in line with the latest projections at each monitoring report and hence the realignment of budget each quarter. Despite this there has continued to be significant slippage in the projected cashflows. Further work will be undertaken in 2020/21 to seek to improve this position.

Pensions

The latest triennial valuation was at 31 March 2019 although the 2019/20 contributions were set in the March 2016 valuation. Richmond has been a scheduled body in the Wandsworth Council Pension Fund since October 2016.

The accounts show a deficit on the Council's pension liabilities of £194.4m at 31 March 2020 (decreased from £205.8m at 31 March 2019). 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 largely 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.

Current borrowing facilities and capital borrowing

The Council increased its underlying need to borrow (Capital Financing Requirement) by £1.5m during the year to £175.5m. This increase represented part funding for £18.9m of capital spend incurred during the year. The Council increased its actual borrowing by £15.8m in the form of a Mayor's Energy Efficiency Fund Loan and made loan repayments of £4.6m. This increase reduced the gap between the underlying need to borrow and actual borrowing (replacing internal borrowing) and increased total external borrowing to £134.8m. 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 Committee 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 2020 report is available on the following link: <https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CIId=801&MIId=4676&Ver=4#AI38663>

Internal and external funds to meet capital and PFI costs

The Council sets a six year capital programme every February, detailing the current and next five years of 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 £135.8m over a six year period. The programme includes new schemes totaling £18.3m, of which £2.0m relate to the Council's Climate Emergency Action Plan.

The Council has two Private Finance Initiative (PFI) projects and recognises £11.8m 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 constrained 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 £71m. £30m of these have been achieved by internal restructuring and the sharing of services with other organisations, £22m from procurement and contract savings and £19m from income generation, inflation restrictions and other savings.

The current MTFS highlights the 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. 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 £4.2m of extra savings/ income have previously been identified for 2020/21 although there is currently uncertainty around their likely delivery as a result of the Covid-19 pandemic. An updated MTFS was published in September and reflects the changing circumstances resulting from the effect of Covid-19 on the Council's finances and its anticipated impact on local residents and businesses. The MTFS can be found on the Council's website at:

<https://cabnet.richmond.gov.uk/documents/s86483/20200910%20MTFS%20FINAL.pdf>.

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:

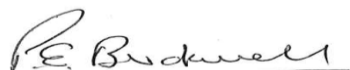
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

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 2020 and its income and expenditure for the year ended 31 March 2020.



Mark Maidment
Director of Resources and Deputy Chief Executive
1 February 2021



Chair of the Audit, Standards and Statutory Accounts Committee
1 February 2021

Date authorised for issue: This statement of accounts is authorised for issue on 1 February 2021 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, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2018/19			2019/20				
Expenditure	Income	Net		Expenditure	Income	Net	
£000	£000	£000	Notes	£000	£000	£000	
98,039	(41,408)	56,631		92,795	(38,474)	54,321	
232,057	(143,845)	88,212		194,521	(142,230)	52,291	
35,714	(14,949)	20,765		39,772	(15,500)	24,272	
21,540	(21,049)	491		21,022	(20,012)	1,010	
122,661	(76,286)	46,375		104,311	(74,012)	30,299	
510,011	(297,537)	212,474		452,421	(290,228)	162,193	
				Cost of Services			
12,279	0	12,279	11	Other Operating Expenditure	9,283	(1,738)	7,545
25,944	(18,380)	7,564	12	Financing and Investment Income and Expenditure	30,154	(19,220)	10,934
0	(165,480)	(165,480)	13	Taxation and Non-Specific Grant Income	0	(169,616)	(169,616)
548,234	(481,397)	66,837		491,858	(480,802)	11,056	
				Surplus or Deficit on Provision of Services			
		56,441	14	Surplus or deficit on revaluation of Property, Plant and Equipment		(44,039)	
	(52,763)	(52,763)	41	Remeasurement of the net defined benefit liability / asset		(9,466)	
		3,678		Other Comprehensive Income and Expenditure		(53,505)	
		70,515		Total Comprehensive Income and Expenditure		(42,449)	

Balance Sheet

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

Restated 31 March 2019			31 March 2020
£000	<i>Notes</i>		£000
832,829	14	Property, Plant and Equipment	867,841
2,682	15	Heritage Assets	3,549
18,922	16	Investment Property	14,391
129	17	Intangible Assets	39
750	18	Long-Term Investments	750
23,065	19	Long-Term Debtors	22,499
878,377		Long Term Assets	909,069
32,253	18	Short-Term Investments	55,998
12		Inventories	20
67,861	19	Short-Term Debtors	65,262
5,034	20	Cash and Cash Equivalents	1,650
105,160		Current Assets	122,930
(7,134)	18	Short-Term Borrowing	(7,318)
(63,576)	21	Short-Term Creditors	(59,259)
(2,724)	22	Provisions	(1,799)
(2,925)	34	Grants Receipts in Advance - Revenue	(3,488)
(1,744)	34	Grants Receipts in Advance - Capital	(2,489)
(78,103)		Current Liabilities	(74,353)
(2)		Long-Term Creditors	(307)
(613)	22	Provisions	(581)
(117,473)	18	Long-Term Borrowing	(127,474)
(229,008)		Other Long-Term Liabilities	(230,412)
(713)	34	Grants Receipts in Advance - Revenue	0
(6,652)	34	Grants Receipts in Advance - Capital	(5,449)
(354,461)		Long Term Liabilities	(364,223)
550,973		Net Assets	593,423
(66,797)	23	Usable Reserves	(87,528)
(484,176)	24	Unusable Reserves	(505,895)
(550,973)		Total Reserves	(593,423)

Movement in Reserves Statement

The Movement in Reserves (MiRS) Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

	Notes	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 2019		(9,955)	(37,535)	(3,616)	(15,691)	(66,797)	(484,176)	(550,973)
Movement in reserves during 2019/20								
Surplus or deficit on the provision of services	<i>CIES</i>	11,056				11,056		11,056
Other Comprehensive Income / Expenditure	<i>CIES</i>						(53,505)	(53,505)
Total Comprehensive Income and Expenditure		11,056	0	0	0	11,056	(53,505)	(42,449)
Adjustments between accounting basis and funding basis under regulations	9	(25,282)		(1,136)	(5,368)	(31,786)	31,786	0
Net Increase or Decrease before Transfers to Earmarked Reserves		(14,226)	0	(1,136)	(5,368)	(20,730)	(21,719)	(42,449)
Transfers to / from Earmarked Reserves	10	13,429	(13,429)			0		0
Increase or Decrease in 2019/20		(797)	(13,429)	(1,136)	(5,368)	(20,730)	(21,719)	(42,449)
Balance at 31 March 2020		(10,753)	(50,964)	(4,752)	(21,059)	(87,528)	(505,895)	(593,423)

Restated	<i>Notes</i>	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		(9,955)	(33,982)	(2,959)	(12,792)	(59,688)	(561,801)	(621,489)
Movement in reserves during 2018/19								
Surplus or deficit on the provision of services	<i>CIES</i>	66,838				66,838		66,838
Other Comprehensive Income / Expenditure	<i>CIES</i>						3,678	3,678
Total Comprehensive Income and Expenditure		66,838	0	0	0	66,838	3,678	70,516
Adjustments between accounting basis and funding basis under regulations	9	(70,391)		(657)	(2,899)	(73,947)	73,947	0
Net Increase or Decrease before Transfers to Earmarked Reserves		(3,553)	0	(657)	(2,899)	(7,109)	77,625	70,516
Transfers to / from Earmarked Reserves	10	3,553	(3,553)			0		0
Increase or Decrease in 2018/19		0	(3,553)	(657)	(2,899)	(7,109)	77,625	70,516
Balance at 31 March 2019		(9,955)	(37,535)	(3,616)	(15,691)	(66,797)	(484,176)	(550,973)

Cash Flow Statement

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

Restated 2018/19		2019/20
£000	<i>Notes</i>	£000
66,838	Net (surplus) or deficit on the provision of services	11,056
(85,877)	Adjustment to surplus or deficit on the provision of services for noncash movements	(41,211)
18,209	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	18,529
(830)	25 Net cash flows from operating activities	(11,626)
18,195	26 Net cash flows from investing activities	16,339
(3,353)	27 Net cash flows from financing activities	(1,329)
14,012	Net (increase) or decrease in cash and cash equivalents	3,384
19,046	Cash and cash equivalents at the beginning of the reporting period	5,034
5,034	Cash and cash equivalents at the end of the reporting period	1,650

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its year end position at 31 March 2020. 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 2019/20 (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. The provisions in the Code and the Financial Reporting Council's Practice Note 10 in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year and indeed, correspondence from Government during Covid-19 is supportive of this approach. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for 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.

The two lockdown periods put in place by the government to protect the economy, the vulnerable and the NHS have required an urgent response from the Council to put in place provisions which support residents and businesses. It is extremely difficult to scope the long-term impact of the current crisis or how Government funding may change to reflect its impact, however the Council have identified the following areas as being most impacted. Service pressures on adults', public health, children's, infrastructure and economic support services are likely to sustain beyond the immediate pandemic and council tax, business rates and income from fees and charges are under long term threat.

The Council has identified service risks which (as at October 2020) result in the Council incurring approximately £19m of additional expenditure in 2020/21 and an estimated loss in income of approximately £11m by year end. Additional funding from Government of £17m has already been received with around a further £5m due as compensation for lost income. Current projections therefore show a net cost of Covid-19 of £8m in 2020/21 which, if no further Government funding is forthcoming, can be met from reserves if required. The Council holds earmarked reserves of £41.8m as at 31 March 2020, which will be sufficient to cover this balance without bringing the level of General Fund reserves below the Councils minimum level.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £97.3 million at 14 October 2020 and the overall limit for total borrowing under the Treasury Management Policy 2020/21 of up to £190m in 2021/22 (long term borrowing estimated for 2020/21 is approximately £145m). This demonstrates that the Council has sufficient liquidity over the same period as it is not expected for any new short-term borrowing to occur in 2020/21 or 2021/22.

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:

Income

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Expenditure

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

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 one 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 2019/20.

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 IFRS 15.

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

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

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 is 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.

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.

Accounting for Assets

The policy for Asset Accounting was changed in the 2018/19 accounts as follows:

- The De Minimis levels for asset recognition are increased to ensure the levels appropriately consider the increases in land values in London in recent years.

	<u>Revised threshold</u>
Land and Buildings	£100k
Vehicles, Plant and Equipment	£25k
Infrastructure Assets	£15k
Intangible Assets	£25k

- Assets in the asset register are derecognised 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 was reduced to 20 years to bring it in line with current useful life assumptions and other authority's treatment.

These revisions still apply for 2019/20.

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 NHS Pensions.
- The Local Government Pension Scheme (LGPS) 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 Education and Children's Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

Following the passing of the Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016 – SI 2016/1241, LB Richmond is no longer an administering authority of the LGPS.

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

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

- The liabilities of the 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 CIES 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 CIES.
 - 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 CIES.
 - 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 CIES.
 - 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 employees' 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 CIES 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 CIES, 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 CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS.

Financial Assets

Financial assets are 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.

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 CIES.

For Pooled Investment Funds the government has introduced a regulation to mitigate the effects of changes in fair value on the Council Taxpayer 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 CIES, 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 CIES.

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

Community Infrastructure Levy (CIL) is a planning charge available to local authorities in England and Wales which was introduced by the Planning Act 2008 and came into force on 6 April 2010. The Council 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 has collected CIL since 2014/15. Deductions are made from the CIL collected in year to fund the costs incurred for administration of the levy, with the remainder retained and applied as and when required for expenditure on infrastructure assets.

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, wherever possible, 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 Capital Receipts Reserve (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.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the CAA in the MiRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES 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 CIES 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 CIES 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 CIES).

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. 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, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 CIES, 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 CIES, they are reversed out of the General Fund balance to the CAA in the MiRS.

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

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.

- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (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 CIES 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 CIES.

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES 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 CAA.

Disposals and Non-current Assets Held for Sale

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

Amounts received for a disposal in excess of £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 CRR and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS.

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

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

Revenue Income and Expenditure

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 Free schools are not consolidated into the Council's Accounts (as they are directly funded from the Government).

Capital

The Council currently holds all local authority maintained schools on the Balance Sheet. This includes academy buildings on an operating lease, which will be kept on the Council's Balance Sheet until finance lease arrangements are signed. 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 CIES.

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

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the CIES 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 CIES 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 CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CEIS.
- 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 CIES.
- 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 CIES 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 2020/21 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.

IAS 19 – Employee Benefits

Under the revised IAS 19 The revised IAS 19 standard specifies that any changes to the pension scheme (amendments, settlements or curtailments) are used from the date of the change to recalculate the revenue costs of the scheme recognised in year.

As this applies to changes from 1 April 2020 and could result in various potential movements in the net pension liability, no estimate can be made at this stage of the possible accounting impact.

IFRS 16 – Leases

IFRS 16 will require local authorities to recognise assets on their Balance Sheet where any contract gives rise to a 'right of use asset'. Currently, a distinction exists between operating and finance leases for lessees. Finance leases are accounted for as acquisitions (asset on the Balance Sheet) and operating leases are expensed in year therefore are not currently required to be reported on lessee balance sheets. IFRS 16 largely removes this distinction, unless it is a short term (12 months or less) or low value contract. For lessors the reporting requirements are largely unchanged as under the revised IFRS 16 there is still a distinction between operating and finance leases.

The implementation of IFRS 16 has been deferred until 1 April 2022.

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.

Orleans House Trust

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.

Achieving for Children

During 2013/14, the Council and RB Kingston set up the community interest company Achieving for Children (AfC) which provides their Children's 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 profit of £2.1m has been reported in 2019/20 compared to a loss of £15.4m in 2018/19. AfC have reported a trading loss for 2019/20 of £10.2m (£6.7m loss in 2018/19). Despite accounting losses reported in AfC's Accounts, the Board and Senior Leadership Team have made significant progress in identifying how these financial challenges will be met. AfC also continues to develop their financial plans which detail and address what actions are being taken to reduce their cost base to accommodate proposed reductions in the owners' contract prices over the next three years. The difference between the small profit and trade loss is due to re-measurement of the pension liability under IAS 19.

AfC's Balance Sheet includes a net pension liability of £50.8m (£53.1m in 2018/19). 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.

Shared Staffing Arrangement (SSA) with 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 at Item 85a Appendix 1 IAA:

<https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CIId=173&MIId=3930&Ver=4>

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 the two councils during 2019/20 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 different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of 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 2020 was £867.8m. A change in value of 1% on 20% (approximately 1 year of valuation) of that value is £1.7m. The average building asset life is 49 years so a change in useful life of 1 year would change depreciation by approximately £0.35m.

The World Health Organisation declared the coronavirus outbreak as a global pandemic on 11 March 2020. Travel restrictions have been implemented by many countries and as a result, business volumes have declined dramatically and economies have shrunk temporarily. Market activity has also been impacted in many sectors.

In accordance with RICS guidance, current valuations are subject to 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global). The Council's external valuer (Wilks Head and Eve) issued a supplementary review to confirm the values were correct as at 31 March but added the following commentary relating to the current market conditions, "As the outbreak of Covid-19 has created significant uncertainty in the market... we are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty, and a higher degree of caution, should be attached to our review/valuation than would normally be the case".

There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which cannot currently be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks. See Note 14 for more information on Property, Plant and Equipment and Note 16 for Investment Property.

Pensions Liability

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

- the discount rate used
- the projected rate of increase for salaries and pensions
- changes in retirement ages

- changes in mortality rates
- expected returns on investment assets.

The Council's Actuary provides advice on these estimates. The effect of changes in individual assumptions can be measured, but the assumptions interact in complex ways. The Council takes advice from its Actuary regarding appropriate assumptions and relies on its actuary for the calculations of their effects. A sensitivity analysis is detailed in Note 41.

Arrears

At 31 March 2020 the Council had a balance of £16.6m in respect of sundry debtors. Of this debt £4.9m 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 £11.6m.

There is impairment for doubtful debts of £3.1m. 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. This also includes an extra 10% (equating to £0.45m) expected due to the effect of Covid-19. If collection rates were to deteriorate significantly below levels assumed in estimating an impairment allowance, additional amounts may need to be set aside.

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 £1.1m in 2019/20 (£1.9m in 2018/19). 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 £0.1m. A contingent liability has been disclosed for future appeals.

Interest Rates

The Council has borrowings of £134.8m (all at fixed rates) and investments of £57.9m maturing within one year at 31 March 2020. Those investments with interest which 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 £0.57m.

The financing of the capital programme for 2020/21 includes an estimated £30.1m borrowing. The impact of a 1% change in interest rates on this new borrowing would change the cost by £0.3m.

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 2019/20 the following material items were reported as part of the accounts:

Two grants from Government in relation to the Covid-19 pandemic totalling £7.5m were received before 31 March 2020.

- £3.3m was received (from a £1.8bn national total allocation) in the form of Section 31 grants.
- £4.2m was also received (£1.6bn national total allocation) to help councils respond to other Covid-19 related pressures including increasing support for the adult social care workforce and for services helping the most vulnerable, including homeless people.

All other Covid-19 related grants were received after 1 April 2020.

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources and Deputy Chief Executive on 3 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's 5 Service Committees.

Restated 2018/19			2019/20			
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
51,752	4,879	56,631	Adults, Health and Housing	51,522	2,799	54,321
36,328	51,884	88,212	Education and Children's Services	40,722	11,569	52,291
25,391	(4,626)	20,765	Environment, Sustainability, Culture and Sports	25,545	(1,273)	24,272
(4,081)	4,573	492	Transport and Air Quality	(4,357)	5,367	1,010
34,586	11,788	46,374	Finance, Policy and Resources	31,619	(1,320)	30,299
(18,569)	18,569	0	Central Items	(14,637)	14,637	0
125,407	87,067	212,474	Net Cost of Services	130,414	31,779	162,193
(125,407)	(20,230)	(145,637)	Other Income and Expenditure	(131,211)	(19,926)	(151,137)
0	66,837	66,837	Surplus or Deficit on Provision of Services	(797)	11,853	11,056
(43,938)			Opening Combined General Fund Balance	(47,490)		
0			Plus / less Surplus or Deficit on the General Fund Balance for the Year	(797)		
(3,553)			Plus / less movements to or from earmarked reserves	(13,429)		
(47,491)			Closing Combined General Fund Balance	(61,716)		

Note 7a - Note to the Expenditure and Funding Analysis

	2019/20			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adults, Health and Housing	1,854	2,173	(1,228)	2,799
Education and Children's Services	9,034	3,522	(987)	11,569
Environment, Sustainability, Culture and Sports	4,795	2,011	(8,079)	(1,273)
Transport and Air Quality	5,001	552	(186)	5,367
Finance, Policy and Resources	990	(877)	(1,433)	(1,320)
Central Items	0	0	14,637	14,637
Net Cost of Services	21,674	7,381	2,724	31,779
Other Income and Expenditure	0	4,783	(24,709)	(19,926)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	21,674	12,164	(21,985)	11,853

	Restated 2018/19			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adults, Health and Housing	3,706	2,042	(869)	4,879
Education and Children's Services	54,255	(1,596)	(775)	51,884
Environment, Sustainability, Culture and Sports	1,470	1,899	(7,995)	(4,626)
Transport and Air Quality	4,721	510	(658)	4,573
Finance, Policy and Resources	8,331	4,667	(1,210)	11,788
Central Items	0	0	18,569	18,569
Net Cost of Services	72,483	7,522	7,062	87,067
Other Income and Expenditure	0	5,998	(26,228)	(20,230)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	72,483	13,520	(19,166)	66,837

Note 8 - Expenditure and Income Analysed by Nature

Restated 2018/19		2019/20
£000	Nature of Expenditure or Income	£000
(75,773)	Fees, charges and other service income	(74,106)
(4,295)	Interest and investment income	421
(149,978)	Income from local taxation	(151,261)
(237,266)	Government grants and contributions	(234,493)
137,247	Employee benefits expenses	141,945
897	Support service recharge expenditure	682
305,657	Other service expenses	290,906
66,210	Depreciation, amortisation and impairment	18,903
11,859	Interest payments	10,513
8,532	Precepts and levies	8,728
0	Payments to Housing Capital Receipts Pool	4
3,747	Gain or loss on disposal of non-current assets	(1,738)
0	Other expenditure	552
66,837	Surplus or Deficit for Year	11,056

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total CIES 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.

2019/2020	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:				
Pension cost (transferred to (or from) the Pensions Reserve)	(12,274)			12,274
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	108			(108)
Council tax and NNDR (transfers to or from the Collection Fund)	(5,330)			5,330
Holiday pay (transferred to the Accumulated Absences reserve)	227			(227)
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)	(16,124)		(15,505)	31,629
Total Adjustments to Revenue Resources	(33,393)	0	(15,505)	48,898
Adjustments between Revenue and Capital Resources:				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,024	(3,024)		0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(4)	4		0
Home Loans Unit Capital Distribution	(552)	552		0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,146			(5,146)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	497			(497)
Total Adjustments between Revenue and Capital Resources	8,111	(2,468)	0	(5,643)
Adjustments to Capital Resources:				
Use of the Capital Receipts Reserve to finance capital expenditure		1,581		(1,581)
Application of capital grants to finance capital expenditure			10,137	(10,137)
Cash payments in relation to deferred capital receipts		(249)		249
Total Adjustments to Capital Resources	0	1,332	10,137	(11,469)
Total Adjustments	(25,282)	(1,136)	(5,368)	31,786

Restated 2018/2019	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:				
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 NNDR (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)	(65,621)		(17,573)	83,194
Total Adjustments to Revenue Resources	(78,897)	0	(17,573)	96,470
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	(70,391)	(657)	(2,899)	73,947

Note 10 - Transfers to/from Earmarked Reserves

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Dedicated Schools Grant Reserve	7,970	0	2,984	10,954	0	3,881	14,835
Financial Resilience Reserve	0	(6,590)	0	(6,590)	(8,651)	0	(15,241)
Schools Balances	(7,370)	(1,642)	0	(9,012)	0	960	(8,052)
Invest to Save Reserve	(5,973)	0	1,160	(4,813)	(2,127)	152	(6,788)
PFI Reserve (Education)	(5,320)	(551)	0	(5,871)	(607)	0	(6,478)
NNDR Volatility Reserve	0	0	0	0	(4,673)	0	(4,673)
Section 106 Revenue Contributions Reserve	(2,480)	(146)	981	(1,646)	(2,082)	52	(3,676)
Repairs and Renewals Fund Reserve	(2,976)	(466)	24	(3,418)	0	353	(3,065)
PFI Reserve (Social Services)	(3,441)	(29)	0	(3,470)	(29)	631	(2,868)
COVID Support Grant Reserve	0	0	0	0	(2,388)	0	(2,388)
General Insurance Reserve	(1,348)	(454)	0	(1,802)	(54)	0	(1,856)
Waste and Recycling Reserve	(1,948)	(1)	333	(1,616)	0	0	(1,616)
Richmond CCG Contributions Reserve	(1,592)	0	0	(1,592)	0	0	(1,592)
Learning Disability and Health Reform Grant Reserve	(754)	0	0	(754)	0	0	(754)
Council Tax Freeze Reserve	(2,686)	0	1,200	(1,486)	0	800	(686)
Other minor earmarked reserves under £500k	(6,064)	(841)	486	(6,419)	(599)	952	(6,066)
Total General Fund	(33,983)	(10,720)	7,167	(37,535)	(21,210)	7,781	(50,964)

Note 11 - Other Operating Expenditure

2018/19 £000		2019/20 £000
8,532	Levies	8,729
0	Payments to the Government Housing Capital Receipts Pool	4
3,747	Gains/losses on the Disposal of Non-Current Assets	(1,738)
0	HLU Capital Distribution	550
12,279	Total Other Operating Expenditure	7,545

Note 12 - Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
5,861	Interest payable and similar charges	5,730
5,998	Net interest on the net defined benefit liability (asset)	4,783
(2,538)	Interest receivable and similar income	(2,553)
(1,757)	Income and expenditure in relation to investment properties and changes in their fair value	2,974
7,564	Total	10,934

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:

2018/19 £000		2019/20 £000
(127,857)	Council tax income	(131,785)
(22,121)	Non-domestic rates income and expenditure	(19,476)
(4,926)	Non-ringfenced government grants and contributions	(7,017)
(10,576)	Capital grants and contributions	(11,338)
(165,480)	Total	(169,616)

Note 14 - Property, Plant and Equipment

Movements in Property, Plant and Equipment (PP&E) 2019/20 are as follows:

Movements to 31 March 2020

	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 2019	702,391	8,368	111,761	20,586	17,466	3,456	864,028
Additions	4,858	541	5,314	15	29	1,180	11,937
Revaluation increases/(decreases) recognised in the Revaluation Reserve	38,190	0	0	0	(940)	0	37,250
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,155)	0	0	0	(3,550)	0	(8,705)
Derecognition – disposals	0	0	0	0	(1,303)	0	(1,303)
Reclassifications and transfer	2,483	0	0	0	0	(2,483)	0
at 31 March 2020	742,767	8,909	117,075	20,601	11,702	2,153	903,207
Accumulated Depreciation and Impairment							
at 1 April 2019	(1,107)	(4,436)	(25,552)	(101)	(3)	0	(31,199)
Depreciation charge	(5,478)	(712)	(4,626)	0	(18)	0	(10,834)
Depreciation written out to the Revaluation Reserve	5,919	0	0	0	0	0	5,919
Depreciation written out to the Surplus/Deficit on the Provision of Services	727	0	0	0	4	0	731
Derecognition – disposals	0	0	0	0	17	0	17
at 31 March 2020	61	(5,148)	(30,178)	(101)	0	0	(35,366)
Net Book Value							
at 31 March 2020	742,828	3,761	86,897	20,500	11,702	2,153	867,841
at 31 March 2019	701,284	3,932	86,209	20,485	17,463	3,456	832,829

Movements to 31 March 2019

Restated	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
at 1 April 2018	795,959	13,760	110,487	20,584	18,392	21,822	981,004
Additions	2,083	656	4,511	2	7	4,728	11,987
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(61,203)	0	0	0	(858)	0	(62,061)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(55,755)	0	0	0	0	0	(55,755)
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	702,391	8,368	111,761	20,586	17,466	3,456	864,028
Accumulated Depreciation and Impairment							
at 1 April 2018	(1,298)	(9,685)	(22,136)	(101)	(130)	0	(33,350)
Depreciation charge	(6,564)	(532)	(4,405)	0	(30)	0	(11,531)
Depreciation written out to the Revaluation Reserve	5,704	0	0	0	17	0	5,721
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,036	0	0	0	140	0	1,176
Derecognition – disposals	15	5,781	989	0	0	0	6,785
at 31 March 2019	(1,107)	(4,436)	(25,552)	(101)	(3)	0	(31,199)
Net Book Value							
at 31 March 2019	701,284	3,932	86,209	20,485	17,463	3,456	832,829
at 31 March 2018	794,661	4,075	88,351	20,483	18,262	21,822	947,654

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 Royal Institution of Chartered Surveyors (RICS) qualified valuer.
- Vehicles, plant, furniture and equipment - estimated useful life on acquisition
- Infrastructure - 20 years.

Capital Commitments

At 31 March 2020, 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 outstanding contractual commitments over £0.1m.

Capital scheme	2019/20
	£000
Stanley Primary school	3,148
Collis KS1 rebuild - 4 classroom & nursery expansion	1,650
Russell Primary School	389
Barnes roof replacement	243
Total	5,430

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 accordance with RICS guidance, current valuations are subject to 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global). In 2019/20 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 (i.e. the impact of Brexit). These valuations were dated 31 January 2020. The External Valuer issued a supplementary review confirming there had been no trigger events and no allowance should be made between interim valuation date and the closing book date as movements were within tolerance parameters, thus values were correct at 31 March and added the following commentary relating to the current market conditions, "As the outbreak of Covid-19 has created significant uncertainty in the market... we are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty, and a higher degree of caution, should be attached to our review/valuation than would normally be the case".

There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which cannot currently be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

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:

2019/20	Art Collection	Land and Buildings	Civic Regalia	Total
	£000	£000	£000	£000
Opening Balance	1,938	172	572	2,682
Revaluations	823	13	34	870
Depreciation	0	(3)	0	(3)
Closing Balance	2,761	182	606	3,549

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

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 2013 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 the estimated value is updated annually on renewal of cover, only valuations used for insurance contract letting are used to update the Asset Register.

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

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

Note 16 - Investment Properties

31 March 2019		31 March 2020
£000	Investment Property Income and Expenditure	£000
(817)	Rental income from investment property	(1,558)
(817)	Net (gain)/loss	(1,558)

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 CIES

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

31 March 2019		31 March 2020
Non-Current £000	Investment Properties Movements in Year	Non-Current £000
17,982	Opening Balance	18,922
(130)	Disposals	0
1,069	Net gains/losses from fair value adjustments	(4,531)
18,921	Balance at the end of the year	14,391

In accordance with RICS guidance, current valuations are subject to 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global). Consequently, less certainty – and a higher degree of caution – should be attached to these figures than would normally be the case and these valuations will be kept under frequent review until the market stabilises.

There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which cannot currently be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

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, between 3 to 5 years, based on assessments of the period that the software is expected to be of use to the authority. The depreciable amount of an intangible asset is amortised over its useful life and charged to the relevant service line(s) in the CIES.

31 March 2019			31 March 2020	
Other Assets	Total		Other Assets	Total
£000	£000		£000	£000
		Balance at start of year:		
1,690	1,690	Gross carrying amounts	1,640	1,640
(1,443)	(1,443)	Accumulated amortisation	(1,511)	(1,511)
247	247	Net carrying amount at start of year	129	129
(50)	(50)	Other disposals	0	0
(97)	(97)	Amortisation for the period	(90)	(90)
29	29	Amortisation written off on disposal	0	0
129	129	Net carrying amount at end of year	39	39
1,640	1,640	Gross carrying amounts	1,640	1,640
(1,511)	(1,511)	Accumulated amortisation	(1,601)	(1,601)
129	129	Total	39	39

Note 18 - Financial Instruments

Non-Current Financial Assets

	Investments		Debtors		PFI debtor - future amounts from VA schools		Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	
	£000	£000	£000	£000	£000	£000	
Amortised cost	750	750	16,783	16,500	6,281	5,999	23,249
Total financial assets	750	750	16,783	16,500	6,281	5,999	23,249

Current Financial Assets

	Investments		Debtors		PFI debtor - future amounts from VA schools		Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	
	£000	£000	£000	£000	£000	£000	
Amortised cost	32,253	55,998	45,436	50,452	218	282	106,732
Total financial assets	32,253	55,998	45,436	50,452	218	282	106,732

Non-Current Financial Liabilities

	Borrowings		Creditors		Other long-term liabilities		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Amortised cost	(117,473)	(127,474)	0	0	0	0	(127,474)
Other	0	0	(2)	(307)	(23,225)	(21,849)	(22,156)
Total financial liabilities	(117,473)	(127,474)	(2)	(307)	(23,225)	(21,849)	(149,630)

Current Financial Liabilities

	Borrowings		Creditors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Amortised cost	(7,134)	(7,318)	(37,769)	(36,838)	(44,156)
Other	0	0	(1,477)	(1,407)	(1,407)
Total financial liabilities	(7,134)	(7,318)	(39,245)	(38,245)	(45,563)

Income, Expense, Gains and Losses

	Surplus or Deficit on the Provision of Services 31 March 2019 £000	Surplus or Deficit on the Provision of Services 31 March 20 £000
Interest revenue:		
• financial assets measured at amortised cost	(2,538)	(2,553)
Total interest revenue	(2,538)	(2,553)
Interest expense	5,861	5,730

Note 19 - Debtors

31 March 2019 £000		31 March 2020 £000
20,842	Trade Receivables	23,858
1,806	Prepayments	2,089
11,441	Other Local Authorities	6,495
14,905	Other Entities and Individuals	11,104
5,849	NHS Bodies	4,218
13,017	Central Government Bodies	17,498
67,861	Total	65,262

Note 19a - Debtors for Local Taxation

31 March 2019		31 March 2020
£000		£000
276	Less than three months	185
345	Three to six months	555
844	Six months to one year	1,111
5,003	More than one year	4,865
6,468	Total	6,716

Note 20 - Cash and Cash Equivalents

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

31 March 2019		31 March 2020
£000		£000
(673)	Cash and Bank balances	(1,350)
5,706	Short Term Deposits	3,000
5,034	Total Cash and Cash Equivalents	1,650

Note 21 - Creditors

31 March 2019		31 March 2020
£000		£000
(14,589)	Trade payables	(17,884)
(6,913)	Central Government Bodies	(8,004)
(9,128)	Other Local Authorities	(1,730)
(487)	NHS Bodies	(125)
(32,459)	Other Entities and Individuals	(31,516)
(63,576)	Total Creditors	(59,259)

Note 22 - Provisions

Current Provisions

2019/20	Central Insurance Fund	Business Rates Appeals	Other Provisions	Total
	£000	£000	£000	£000
Opening Balance	(99)	(1,934)	(691)	(2,724)
Increase in provision during year	(94)	(129)	(35)	(258)
Utilised during year	99	976	108	1,183
Closing Balance	(94)	(1,087)	(618)	(1,799)

2018/19	Central Insurance Fund	Business Rates Appeals	Other Provisions	Total
	£000	£000	£000	£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)

Long Term Provisions

2019/20	Central Insurance Fund	Total
	£000	£000
Opening Balance	(613)	(613)
Utilised during year	32	32
Closing Balance	(581)	(581)

2018/19	Central Insurance Fund	Total
	£000	£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)

2018/19	Total Provisions	2019/20
£000		£000
(3,543)	Opening Balance	(3,337)
(2,350)	Increase in provision during year	(258)
1,514	Utilised during year	1,215
1,042	Unused Amounts Reversed	0
(3,337)	Closing Balance	(2,380)

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, 2019/20 is now the second year of the 100% retention of Business Rates Pool Pilot in London. In 2019/20 the Council has taken on 48% of the liability relating to Business Rates appeals compared to 64% in 2018/19. Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the 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 2020 is £2.3m compared to £3m at 31 March 2019 (included in the Collection Fund) and the Council's share of this liability is £1.1m compared to £1.9m for 2018/19 (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 2019		31 March 2020
£000		£000
(2,960)	Balance 1 April	(3,616)
(636)	Capital Receipts in year	(3,024)
(251)	Deferred Receipts realised	(247)
0	Capital Receipts Pooled	4
0	Home Loans Unit - Distribution of Capital Receipts	550
230	Capital Receipts used for financing	1,581
(3,617)	Balance 31 March	(4,752)

Capital Grants Unapplied

31 March 2019		31 March 2020
£000		£000
(12,793)	Balance 1 April	(15,691)
(17,573)	Capital grants recognised in year	(15,505)
14,674	Capital grants and contributions applied	10,137
(15,692)	Balance 31 March	(21,059)

Note 24 - Unusable Reserves

Restated 31 March 2019		31 March 2020
£000		£000
(386,157)	Revaluation Reserve	(427,290)
(286,871)	Capital Adjustment Account	(275,509)
471	Financial Instruments Adjustment Account	363
205,755	Pension Reserve	208,563
(16,204)	Deferred Capital Receipts Reserve	(15,956)
(4,600)	Collection Fund Adjustment Account	729
3,430	Accumulated Absences Account	3,205
(484,176)	Total	(505,895)

Revaluation Reserve

Restated 31 March 2019		31 March 2020
£000		£000
(445,891)	Balance 1 April	(386,157)
(76,636)	Upward revaluation of assets	(55,264)
133,077	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	11,225
56,441	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(44,039)
2,681	Difference between fair value depreciation and historical cost depreciation	2,502
612	Accumulated gains on assets sold or scrapped	404
3,293	Amount written off to the Capital Adjustment Account	2,906
(386,157)	Balance 31 March	(427,290)

Capital Adjustment Account

Restated 31 March 2019 £000		31 March 2020 £000
(343,998)	Balance 1 April	(286,871)
11,535	Charges for depreciation and impairment of non-current assets	10,837
54,579	Revaluation losses on non-current assets	7,974
97	Amortisation of intangible assets	91
13,567	Revenue expenditure funded from capital under statute	6,938
4,513	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	1,286
84,291	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	27,126
(3,293)	Adjusting Amounts written out of the Revaluation Reserve	(2,906)
80,998	Net written out amount of the cost of non-current assets consumed in the year	24,220
(230)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,581)
(14,674)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,137)
(4,999)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,146)
(2,871)	Capital expenditure charged against the General Fund and HRA balances	(497)
(22,774)	Capital financing applied in year:	(17,361)
(1,069)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	4,531
(28)	Other movements	(28)
(286,871)	Balance 31 March	(275,509)

Financial Instruments Adjustment Account

31 March 2019 £000		31 March 2020 £000
579	Balance 1 April	471
(108)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(108)
471	Balance 31 March	363

Pension Reserve

31 March 2019 £000		31 March 2020 £000
244,998	Opening Balance	205,755
(52,763)	Remeasurements of the net defined benefit (liability)/asset	(9,466)
28,113	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	27,555
(14,593)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,281)
205,755	Balance 31 March	208,563

Deferred Capital Receipts Reserve

31 March 2019 £000		31 March 2020 £000
(16,454)	Balance 1 April	(16,204)
251	Transfer to the Capital Receipts Reserve upon receipt of cash	248
(16,204)	Balance 31 March	(15,956)

Collection Fund Adjustment Account

31 March 2019 £000		31 March 2020 £000
(3,900)	Balance 1 April	(4,600)
(700)	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	5,329
(4,600)	Balance 31 March	729

Accumulated Absences Account

31 March 2019 £000		31 March 2020 £000
2,866	Balance 1 April	3,430
(2,868)	Settlement or cancellation of accrual made at the end of the preceding year	(3,430)
3,432	Amounts accrued at the end of the current year	3,205
564	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	(227)
3,430	Balance 31 March	3,205

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2019		31 March 2020
£000		£000
(2,415)	Interest received	(2,529)
6,866	Interest paid	5,692
4,451	Total	3,163

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

Restated		31 March 2020
31 March 2019		£000
£000		£000
(11,535)	Depreciation	(10,837)
(54,578)	Impairment and downward valuations	(7,974)
(97)	Amortisation	(91)
(5,230)	(Increase)/decrease in creditors	(1,119)
2,319	Increase/(decrease) in debtors	(4,063)
1	Increase/(decrease) in inventories	8
(13,520)	Movement in pension liability	(12,274)
(4,513)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,286)
1,276	Other non-cash movements charged to the surplus or deficit on provision of services	(3,575)
(85,877)	Total	(41,211)

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

31 March 2019		31 March 2020
£000		£000
636	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,024
17,573	Any other items for which the cash effects are investing or financing cash flows	15,505
18,209	Total	18,529

Note 26 - Cash Flow from Investing Activities

Restated 31 March 2019 £000		31 March 2020 £000
11,982	Purchase of property, plant and equipment, investment property and intangible assets	10,899
64,900	Purchase of short-term and long-term investments	90,750
(1,058)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,753)
(39,900)	Proceeds from short-term and long-term investments	(67,029)
(17,729)	Other receipts from investing activities	(14,528)
18,195	Net cash flows from investing activities	16,339

Note 27 - Cash Flow from Financing Activities

31 March 2019 £000		31 March 2020 £000
(10,014)	Cash receipts of short-term and long-term borrowing	(15,820)
1,125	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,216
4,517	Repayments of short-term and long-term borrowing	5,672
1,019	Other payments for financing activities	7,603
(3,353)	Net cash flows from financing activities	(1,329)

Note 27a – Reconciliation of Liabilities from Financing Activities

	31 March 2019 £000	Financing cash flows £000	Other non- cash changes £000	31 March 2020 £000
Long-term borrowing	(117,473)	(10,001)	0	(127,474)
Short-term borrowing	(7,134)	(147)	(38)	(7,319)
Lease Liabilities	(4,269)	223	0	(4,046)
On balance sheet PFI Liabilities	(13,923)	994	0	(12,929)
Total liabilities from financing activities	(142,799)	(8,931)	(38)	(151,768)

Note 28 - Agency Services

Various streams of additional funding were received from Government from March 2020 onwards, to assist authorities and taxpayers with pressures linked to the Covid-19 pandemic. The most material grant awarded to LB Richmond to provide assistance to taxpayers was £41.6m for Business Support Grants. This was specifically grants of up to £25k for eligible retail, hospitality and leisure outlets and £10k for eligible small businesses. As councils are paying businesses the grant on behalf of Government and acting as an intermediary this has formed an agency relationship, with the Council being the agent and Government being the principal. When such arrangements exist the income and expenditure are not included as part of the Statement of Accounts.

Government paid the full £41.6m to LB Richmond on 1 April 2020 as detailed in Note 6. However, the Council began to pay the grants out to businesses in advance of the cash being received from the Government. In total the Council paid £10.1m to businesses pre 31 March 2020. Neither the £10.1m expenditure nor the equivalent portion of the grant has therefore formed part of the 2019/20 Statement of Accounts.

Note 29 - Pooled Budgets

The Council has 3 pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2020. 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.

2018/19	Better Care Fund	2019/20
£000		£000
(6,238)	Authority Funding	(6,841)
(5,375)	Partner Funding	(5,743)
(11,613)	Total Pooled Funding	(12,584)
6,238	Authority Expenditure	6,841
5,375	Partner Expenditure	5,743
11,613	Expenditure	12,584
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, but it is hosted and managed by HRCH. The purpose is to provide facilities for the prevention of illness, for people who are ill or recovering from illness. The Council is not responsible for any share of the £0.1m surplus in 2019/20.

2018/19	Rapid Response Service	2019/20
£000		£000
(1,789)	Authority Funding	(1,698)
(1,247)	Partner Funding	(1,281)
(3,036)	Total Pooled Funding	(2,979)
1,176	Authority Expenditure	1,082
2,016	Partner Expenditure	1,823
3,192	Expenditure	2,905
156	Net Surplus/Deficit on the Pooled Budget	(74)
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

2018/19	Joint Integrated Community Equipment Service	2019/20
£000		£000
(563)	Authority Funding	(563)
(563)	Partner Funding	(563)
(1,126)	Total Pooled Funding	(1,126)
582	Authority Expenditure	612
582	Partner Expenditure	612
1,164	Expenditure	1,224
38	Net Surplus/Deficit on the Pooled Budget	98
19	Authority Share of the Net Surplus / Deficit	49

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 and further details of the scheme are available on the Council's website. The total payments made to Members are:

31 March 2019		31 March 2020
£000		£000
676	Allowances	683
676	Total Members' Allowances	683

Note 31 - Officers' Remuneration

The Council entered into the SSA with Wandsworth Council from 1 October 2016. The tables below set out; senior officers whose remuneration exceeds £150,000 (or report to the Chief Executive or is required by the Code); the bandings of officers whose SSA salary share is £50,000 or more per year; and an analysis of exit packages paid during the year. All tables detailed below represent Richmond's proportion of the salary costs with the remaining balance being charged to Wandsworth.

2019/2020		Salary & Other Payments	Employers Pension Contributions	Total
	<i>Notes</i>	£	£	£
Chief Executive - P. Martin	1	89,102	16,038	105,140
Director of Resources and Deputy Chief Executive - M. Maidment	2	80,707	14,527	95,234
Director of Children's Services - I. Dodds	3	36,640	6,595	43,235
Director of Housing & Regeneration - B. Reilly	4	78,298	14,094	92,392
Director of Environment & Community Services - P. Chadwick	5	67,752	12,195	79,947
Director of Adult Social Care & Public Health - E. Bruce	6	78,089	0	78,089
Deputy Director of Environment & Community Services - K. Power	7	66,113	11,669	77,782
Assistant Director (Commissioning & Quality Standards) - D. Oliver	8	55,965	10,074	66,039
Assistant Chief Executive (Policy and Performance)	9	51,828	9,329	61,157
Assistant Chief Executive (Customer and Partnerships)	10	45,271	8,051	53,322
		649,765	102,572	752,337

Notes to show Senior Officer's full SSA remuneration including salary and pension contributions are as follows:

Note 1 - The joint Chief Executive of LB Richmond and Wandsworth Council is the Head of the Paid Service. The Chief Executive's full year remuneration across the SSA in 2019/20 was £240,816 and the employers pension contributions were £43,437. The Chief Executive reduced his hours of work during the year.

Note 2 - Director of Resources and Deputy Chief Executive - total remuneration across the SSA in 2019/20 was £218,128 and the employers pension contribution were £39,263.

Note 3 - The current Director of Children's Services commenced in post in January 2020 and is employed by Richmond with 50% of his salary funded from Kingston Council.

Note 4 - Director of Housing and Regeneration - total remuneration across the SSA in 2019/20 was £211,617 and the employers pension contributions were £38,091.

Note 5 - Director of Environment and Community Services - total remuneration across the SSA in 2019/20 was £183,113 and the employers pension contributions were £32,960.

Note 6 - Director of Adult Social Care and Public Health - total remuneration across the SSA in 2019/20 was £211,052.

Note 7 - Deputy Director of Environment and Community Services - total remuneration across the SSA in 2019/20 was £178,684 and the employers pension contributions were £31,538.

Note 8 - Assistant Director of Commissioning and Quality Standards - total remuneration across the SSA in 2019/20 was £151,257 and the employers pension contributions were £27,226.

Note 9 - Assistant Chief Executive (Policy and Performance) - total remuneration across the SSA in 2019/20 was £140,076 and the employers pension contributions were £25,214.

Note 10 - The Assistant Chief Executive (Customer and Partnerships) left the SSA in February 2020 - total remuneration across the SSA in 2019/20 was £122,354 and the employers pension contributions were £21,760.

Officers reporting to the Chief Executive but with a salary under £150,000 are not disclosed by name.

Re-Presented 2018/2019	Salary & Other Payments	Employers Pension Contribution	Total
	<i>Notes</i>		
Chief Executive - P. Martin	94,575	17,024	111,599
Director of Resources and Deputy Chief Executive - M. Maidment	68,767	12,378	81,145
Director of Children's Services - R. Henderson	<i>1</i> 104,900	18,807	123,707
Director of Housing & Regeneration - B. Reilly	70,377	12,668	83,045
Director of Environment & Community Services - P Chadwick	61,587	11,086	72,673
Director of Adult Social Services - E. Bruce	71,942	0	71,942
Deputy Director of Environment & Community Services - K. Power	56,108	10,099	66,207
Assistant Director (Commissioning & Quality Standards) - D. Oliver	50,204	9,037	59,241
Assistant Chief Executive (Policy and Performance)	39,742	7,154	46,896
Assistant Chief Executive (Customer and Partnerships)	56,618	10,191	66,809
	674,820	108,444	783,264

Note 1 - The Director of Children's Services left the Council in September 2018 and was wholly funded by the Council.

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	
	2018/19	2019/20
£50,001 to £55,000	32	51
£55,001 to £60,000	21	23
£60,001 to £65,000	21	23
£65,001 to £70,000	12	16
£70,001 to £75,000	13	14
£75,001 to £80,000	10	8
£80,001 to £85,000	4	6
£85,001 to £90,000	2	6
£90,001 to £95,000	4	1
£95,001 to £100,000	1	1
£100,001 to £105,000	1	2
£105,001 to £110,000	1	0
£110,001 to £115,000	1	2
Total	123	153

Included in the above figures are teaching and other staff that work in schools. Several 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 above table also does not include employer's pension contributions.

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 (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	4	18	4	7	8	25	71,390	169,551
£20,001 - £40,000	1	6	1	0	2	6	53,752	184,897
£40,001 - £60,000	0	1	4	0	4	1	188,876	52,110
£80,001 - £100,000	0	0	1	0	1	0	88,589	0
Total	5	25	10	7	15	32	402,607	406,558

Add: Amounts provided for in the CIES not included in bandings

(105,149) 24,666

Total cost included in the CIES

297,458 431,224

The total cost of £0.4m for 2019/20 (£0.3m for 2018/19) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year. There is a cost of £25k which relates to the actual cost for exit packages that were higher than the estimated provision (compared to an underestimation of £0.1m 2018/19).

Note 32 - External Audit Costs

The Council has incurred the following costs from Ernst & Young in 2019/20:

2018/19		2019/20
£000		£000
89	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	71
33	Fees payable in respect of other services provided by external auditors during the year	24
104	Total	95

*The 2018/19 fee includes VAT and fees for the Pension Fund. The fee of £71k has not changed between 2018/19 and 2019/20.

Note 33 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools and Early Years Finance (England) Regulations 2017. 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.

The borough is required to have a *deficit recovery plan* which recovers the deficit over a reasonable period of time. The Council has briefed the DfE on the current plan.

Details of the deployment of DSG receivable are:

DSG Receivable for 2019/20	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			(155,431)
Academy figure recouped for year			46,802
Total DSG after academy recoupment			(108,629)
Plus: Brought forward from previous year			10,954
Final budget distribution for year			(97,675)
Less: Actual central expenditure	28,916		28,916
Less: Actual ISB deployed to schools		83,594	83,594
Carry forward to 2020/21	28,916	83,594	14,835

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
Final budget distribution for year			(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 and contributions to Taxation and Non-Specific Grant Income in the CIES:

31 March 2019 £000		31 March 2020 £000
(4,236)	Section 31 NNDR Grant	(4,874)
(1,717)	Basic Need Grant	(3,872)
(2,167)	Community Infrastructure Levy Contributions	(2,795)
(445)	Disabled Facilities Grant	(1,697)
(1,709)	Schools Conditions Allocation Grant	(1,115)
(1,459)	Section 106 Capital Contributions	(71)
(689)	Other Non-Ring-Fenced Grants and Contributions	(2,143)
(619)	Other Capital Grants under £500k	(1,701)
(454)	Other Capital Contributions under £500k	(87)
(1,452)	Free Schools Capital Grant	0
(553)	Pothole Action Grant	0
(15,502)	Total	(18,355)

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

31 March 2019		31 March 2020
£000		£000
(108,706)	Dedicated Schools Grant	(108,701)
(62,648)	Housing Benefit Grant	(56,524)
(9,276)	Public Health Grant	(9,031)
(6,238)	Better Care Fund Grant	(6,180)
0	Covid-19 Funding	(4,225)
(3,093)	Pupil Premium Grant	(3,015)
(2,524)	Free School Meals Grant	(2,537)
(2,750)	Transport for London Grants	(1,965)
(2,512)	Partners in Practice Grant	(1,814)
0	Teachers Pension Employer Contributions Grant	(1,743)
(1,077)	Asylums Seeker Grant	(1,698)
(2,199)	New Homes Bonus Grant	(1,512)
(1,342)	Schools' Private Finance Initiative Grant	(1,342)
(4,395)	Other Health Authority Contributions	(1,258)
(413)	Adult Social Care Support Grant	(1,129)
(782)	Place Funding Grant	(1,049)
(946)	Flexible Homelessness Support Grant	(979)
(382)	Teachers Pay Grant	(889)
(852)	Private Finance Initiative Grant	(852)
(778)	Schools Sport and Physical Education Grant	(775)
(661)	Winter Funding for Adult Social Care Grant	(661)
(1,631)	Schools' Private Finance Initiative Contributions	(380)
(1,325)	Disabled Facilities Grant	0
(806)	Community Infrastructure Levy Contributions	0
(5,973)	Other Grants under £500k	(6,822)
(458)	Other Contributions under £500k	(1,036)
0	Donations	(22)
(221,764)	Total	(216,139)

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

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2019		31 March 2020
£000		£000
(1,744)	Basic Need Grant	(2,489)
(1,744)	Total	(2,489)

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2019		31 March 2020
£000		£000
0	Section 106 Contributions	(1,369)
0	S106 Affordable Housing	(732)
(530)	Care Act Grant	(530)
(1,113)	Partners in Practice Innovation Programme Grant	(91)
(1,250)	Other Grants under £500k	(766)
(32)	Dedicated Schools Grant	0
(2,925)	Total	(3,488)

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

31 March 2019		31 March 2020
£000		£000
(836)	Devolved Formula Capital Grant	(836)
(8)	Section 106 Contributions	(8)
(1,069)	Basic Needs Grant	0
(174)	Other Grants under £500k	(40)
(63)	Other Contributions under £500k	(63)
(4,502)	Donated Assets	(4,502)
(6,652)	Total	(5,449)

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 LB Richmond and Senior Officers employed by Richmond and Wandsworth SSA.

There are no declarable related party transactions with Senior 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 34 as well as liabilities outstanding at the year-end in relation to those grants.

West London Waste Authority (WLWA)

WLWA is a waste disposal authority composed of 6 London Borough councils: Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond. Councillor J. Neden-Watts is a Council appointed representative. £0.7m was received from WLWA in principal and interest payments. There were expenditure transactions of £7.8m relating to the WLWA contract.

SPEAR

SPEAR is a provider of Homeless and Supported Living Services for residents. Councillor J. Cardy and Councillor L. Campanale are trustees of the charity. During 2019/20, the Council made payments of £0.9m 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 is composed of Councillors of 5 councils: Ealing, Hillingdon, Hounslow, Richmond, and Spelthorne. Councillors S. Nicholson, P. Avon and A. Bridges Westcroft are members on the Board. Mr M. Maidment (Director of Resources and Deputy Chief Executive) is Treasurer to the Board. There was £0.6m worth of expenditure transactions relating to VAT reimbursements in the year. Minimal income was received from SWMCB during the year.

Twickenham Business Improvement District and Richmond Business Improvement District

Business Improvement Districts (BID) are not-for-profit organisations led by local businesses that aim to improve and enhance a specific commercial district. Councillor G. Acton is a board member on both the Richmond BID and the Twickenham BID.

The council paid £0.2m in BID levy to the Twickenham BID. Minimal income for services was received during the year.

The council paid £0.7m in BID levy to the Richmond BID. Minimal income for services was received during the year.

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 declared to be a leaseholder with RHP. Payments totalling £0.6m were made to RHP for supported and other housing services. The Council received £1m from RHP for services provided 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 £2.8m (£2.3m in 2018/19) were commissioned for companies, voluntary and similar organisations in which Members declared an interest. Contracts were entered 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

Restated 31 March 2019 £000		31 March 2020 £000
171,247	Opening Capital Financing Requirement	174,027
	Capital Investment:	
11,987	Property Plant and Equipment	11,938
13,567	Revenue Expenditure Funded from Capital Under Statute	6,938
25,554	Total Capital Spending	18,876
	Sources of Finance:	
(230)	Capital receipts	(1,581)
(14,674)	Government Grants and other contributions	(10,137)
	Sums set aside from revenue:	
(2,871)	- Direct revenue contributions	(497)
(4,999)	- Minimum revenue provision	(5,146)
(22,774)	Total Sources of Finance	(17,361)
174,027	Closing Capital Financing Requirement	175,542

Explanation of movements in year

31 March 2019 £000		31 March 2020 £000
7,779	Increase in underlying need to borrow	6,662
(4,999)	Other movements	(5,146)
2,780	Increase/(decrease) in Capital Financing Requirement	1,516

Note 37 - Leases

The Council has several 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 CIES as payments are made. All the finance leases for property (except for 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 CIES 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 2019		31 March 2020	
£000		£000	
4,469	Other Land and Buildings	4,570	
299	Vehicles, Plant, Furniture, Equipment and Other	199	
4,768	Total	4,769	

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 2019		31 March 2020	
£000		£000	
1,223	Not later than one year	2,890	
3,502	Later than one year and not later than five years	3,291	
8,909	Later than five years	8,203	
13,634	Total	14,384	

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

31 March 2019		31 March 2020	
£000		£000	
4,602	Minimum lease payments	3,536	
320	Contingent rents	420	
(371)	Less: Sublease payments receivable	(371)	
4,552	Total	3,585	

Authority as Lessor - Finance Leases

The gross investment is made up of the following amounts:

31 March 2019		31 March 2020	
£000		£000	
Finance lease debtor (net present value of minimum lease payments):			
1,620	Current	1,620	
9,563	Unearned finance income	9,979	
11,183	Gross investment in the lease	11,599	

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

31 March 2019		31 March 2020
£000		£000
121	Not later than one year	121
483	Later than one year and not later than five years	483
10,579	Later than five years	10,995
11,183	Total	11,599

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 does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £0.3m contingent rents were receivable by the Council (£0.4m in 2018/19).

Authority as Lessor - Operating Leases

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

31 March 2019		31 March 2020
£000		£000
1,329	Not later than one year	2,121
3,519	Later than one year and not later than five years	4,088
18,347	Later than five years	18,785
23,194	Total	24,994

Note 38 - Service Concession Arrangements

The Council has 2 Private Finance Initiative schemes (Primary Schools and Residential Care Homes).

Primary Schools PFI Scheme

2019/20 was the 17th 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

2019/20 was the 19th 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 the 43 remaining beds. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the homes and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the homes as well as staffing them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property Plant and Equipment

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

Movement in PFI Assets

2019/20	Residential Care Homes £000	Primary Schools £000	Total £000
Cost or Valuation			
at 1 April 2019	11,458	14,241	25,699
Additions	0	27	27
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,800	2,654	4,454
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	310	310
at 31 March 2020	13,258	17,232	30,490
Accumulated Depreciation and Impairment			
at 1 April 2019	(50)	(59)	(109)
Depreciation charge	(238)	(284)	(522)
Depreciation written out to the Revaluation Reserve	288	312	600
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	31	31
at 31 March 2020	0	0	0
Net Book Value			
at 31 March 2020	13,258	17,232	30,490
at 1 April 2019	11,408	14,182	25,590

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
at 1 April 2018	10,133	12,516	22,649

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

2019/20	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Balance outstanding at start of year	(6,423)	(7,500)	(13,923)
Payments during the year	697	297	994
Balance outstanding at year-end	(5,726)	(7,203)	(12,929)

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)

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 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due under PFI schemes - 2019/20

Reimbursement of Capital Expenditure	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	(760)	(323)	(1,083)
Payable within two to five years	(3,794)	(1,613)	(5,407)
Payable within six to ten years	(1,172)	(2,984)	(4,156)
Payable within eleven to fifteen years	0	(2,282)	(2,282)
Total	(5,726)	(7,202)	(12,928)

Interest	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	467	613	1,080
Payable within two to five years	1,117	2,131	3,248
Payable within six to ten years	56	1,695	1,751
Payable within eleven to fifteen years	0	291	291
Total	1,640	4,730	6,370

Payment for Services	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	6,472	3,169	9,641
Payable within two to five years	28,588	13,986	42,574
Payable within six to ten years	8,004	20,848	28,852
Payable within eleven to fifteen years	0	9,607	9,607
Total	43,064	47,610	90,674

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 voluntary aided schools, including financing of voluntary aided 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 payment.
- 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 2019/20:

- 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 Authority (WLWA) 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 and includes both principal and interest payments, as such the 18/19 figures have been re-presented to reflect this. The additional liability totals £63m.

Liquidity Risk	(Restated)	
	31 March 2019	31 March 2020
	£000	£000
Less than one year	11,279	11,455
Between one and two years	7,700	11,035
Between two and five years	22,513	20,165
More than five Years	33,157	40,258
More than ten years	113,170	112,815
Total	187,819	195,728

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 CIES will rise.
- Borrowing at fixed rates - the fair value of the borrowing will fall.
- Investments at variable rates - the interest income credited to the CIES 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 CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES 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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Market Risk - Interest Rate Risk	31 March 2020
	£000
Increase in interest payable on variable rate borrowings	16
Increase in interest receivable on variable rate investments	150
Impact on Surplus or Deficit on the Provision of Services	166

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:

Teachers' Pension Scheme

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.

NHS Pension Scheme

On 1 April 2013 Public Health services (including staff) were transferred from health authorities to local authorities. Local authorities were provided with ring-fenced public health funding to discharge their new responsibilities. Staff performing public health functions who were compulsorily transferred from the health authorities 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. 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	2019/20	2018/19	2019/20
Total Contributions	£8.7m	£7.3m	£0.1m	£0.02m
Employer's Contribution Rate				
From 1 April	16.48%	16.48%	14.38%	14.38%
From 1 September	16.48%	23.68%	-	-
Anticipated Employer's Contributions next year	16.48%	23.68%	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 Wandsworth Council Pension Fund Scheme which is operated under the regulatory framework for Local Government Pension Scheme (LGPS) and the governance of the scheme is the responsibility of Wandsworth Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Joint Pensions Committee with Wandsworth Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These 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 IAS 19 is reversed out of the General Fund via the MiRS. The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

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

These figures include the estimated impact of the McCloud judgement. The impact of the McCloud ruling continues to be estimated on the same basis as 2018/19, so the figures below are shown on a comparable basis. Guidance on the implementation is anticipated in the summer of 2020. This will inform future calculations of benefits.

General Fund Transactions

2018/19		2019/20
LGPS - WBC		LGPS - WBC
Pension Fund		Pension Fund
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
15,873	Current service cost	22,108
5,976	Past service cost	351
17	(Gain) / loss from settlements and / or transfers	(9)
249	Administration expenses	322
5,998	Net interest expense	4,783
28,113	Total charged to Surplus and Deficit on Provision of Services	27,555

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

£000		£000
	Re-measurement of the net defined benefit liability comprising:	
(34,837)	Return on plan assets (excluding the amount included in the net interest expense)	67,907
0	Actuarial gains and losses - experience	10,052
(48,658)	Actuarial gains and losses arising on changes in demographic assumptions	(23,144)
30,732	Actuarial gains and losses arising on changes in financial assumptions	(68,485)
0	Other movements in the liability/(asset)	4,204
(52,763)	Total charged to Other Comprehensive Income and Expenditure Statement	(9,466)
(24,650)	Total charged to the Comprehensive Income and Expenditure Statement	18,089

2018/19 LGPS - WBC Pension Fund £000	Movement in Reserves Statement	2019/20 LGPS - WBC Pension Fund £000
(28,113)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(27,555)
	Actual amount charged against the general fund balance for pensions in the year:	
14,593	Employers' contributions payable to scheme	15,281

2018/19 LGPS - WBC Pension Fund £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2019/20 LGPS - WBC Pension Fund £000
(839,411)	Present value of the defined obligation	(771,270)
633,656	Fair value of plan assets	562,707
(205,755)	Value of Assets / (Liabilities)	(208,563)
(205,755)	Net (liability) / asset arising from the defined benefit obligation	(208,563)

2018/19 LGPS - WBC Pension Fund £000	Movement in the Value of Scheme Assets	2019/20 LGPS - WBC Pension Fund £000
590,342	Opening Balance	633,656
15,025	Interest income	15,110
	Re-measurement gain / (loss):	
34,837	The return on plan assets, excluding the amount included in the net interest expense	(67,907)
(922)	Other gains / (losses)	(4,204)
14,593	Contributions from employer	15,281
3,684	Contributions from employees into the scheme	3,781
(24,093)	Benefits / transfers paid	(32,677)
(249)	Administration expenses	(322)
439	Assets Extinguished on Settlement	(11)
633,656	Closing value of scheme assets	562,707

2018/19	Movements in the Fair Value of Scheme Liabilities	2019/20
LGPS - WBC Pension Fund		LGPS - WBC Pension Fund
£000		£000
(835,340)	Opening Balance	(839,411)
(15,873)	Current service cost	(22,108)
(21,023)	Interest cost	(19,893)
(3,684)	Contributions from scheme participants	(3,781)
	Re-measurement gains and losses:	
0	- Actuarial gains / (losses) - experience	(10,052)
48,658	- Actuarial gains / (losses) from changes in demographic assumptions	23,144
(30,732)	- Actuarial gains / (losses) from changes in financial assumptions	68,485
922	- Other	0
(5,976)	Past service cost	(351)
24,093	Benefits / transfers paid	32,677
(456)	Liabilities extinguished on settlements	20
(839,411)	Balance as at 31 March	(771,270)

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

Asset Allocation

2018/19			2019/20		
LGPS - WBC Pension Fund			LGPS - WBC Pension Fund		
£0	%		£0	%	
17,052	2.70%	Cash and cash equivalents	21,961	3.90%	
417,991	66.00%	Equities	328,391	58.36%	
17,698	2.80%	Gilts	15,052	2.67%	
70,043	11.10%	Corporate Bonds	78,558	13.96%	
25,817	4.10%	Property	57,727	10.26%	
85,055	13.30%	Multi-Asset Funds	61,018	10.84%	
633,656	100.00%	Scheme assets	562,707	100.00%	

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 LGPS 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:

2018/19		LGPS - WBC Pension Fund	2019/20	
%			%	
<u>Mortality assumptions</u>				
<u>Longevity at retirement for current pensioners</u>				
23.4	Men		21.8	
24.8	Women		24.4	
<u>Longevity at retirement for future pensioners</u>				
25.0	Men		23.2	
26.6	Women		25.8	
<u>Other assumptions</u>				
3.35%	Rate of inflation (RPI)		2.75%	
2.35%	Rate of inflation (CPI)		1.9%	
3.85%	Rate of increase in salaries		2.9%	
2.35%	Rate of increase in pensions		1.9%	
2.45%	Rate for discounting scheme liabilities		2.35%	

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.

WBC Fund 2018/19				WBC Fund 2019/20		
£000	£000	£000		£000	£000	£000
0.10%	0.00%	-0.10%	Adjustment to discount rate	0.10%	0.00%	-0.10%
823,094	839,411	856,078	Present Value of Total Obligation	757,101	771,270	785,726
20,421	20,946	21,488	Projected Service Cost	18,780	19,241	19,715
0.10%	0.00%	-0.10%	Adjustment to long term salary increase	0.10%	0.00%	-0.10%
840,416	839,411	838,411	Present Value of Total Obligation	772,087	771,270	770,459
20,946	20,946	20,946	Projected Service Cost	19,326	19,241	19,308
0.10%	0.00%	-0.10%	Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
855,059	839,411	824,074	Present Value of Total Obligation	784,960	771,270	757,834
21,487	20,946	20,420	Projected Service Cost	19,793	19,241	18,852
+ 1 Year	None	-1 Year	Adjustment to mortality age rating assumption	+ 1 Year	None	-1 Year
871,663	839,411	808,390	Present Value of Total Obligation	804,019	771,270	739,954
21,615	20,946	20,299	Projected Service Cost	19,905	19,241	18,746

Impact on the Council's Cash Flows

The Council's objectives for the scheme are to keep employers' contributions as 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% of payroll (estimated at £9.4m for 2016/17) plus a lump sum of £4.5m for the year.

The last such valuation took place as at 31 March 2019. However, the contribution rates approved in the prior valuation at 31 March 2016 were still in place for the year 2019/20 and therefore it is this earlier valuation which is used here. This valuation set a rate of 18% plus a lump sum of £2.7m for 2019/20 (£2.6m in 2018/19) from the Council and an additional 6.2% paid by Richmond schools. The valuation as at 31 March 2019 set a contribution rate of 24.4% of payroll plus a £1.3m deficit payment for 2020/21.

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 as the possible liability is dependent on the outcome of something happening in the future. A review is undertaken annually to identify any potential liabilities.

At 31 March 2020 the Council had some outstanding 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 the total value of all outstanding cases) or from in year budgets, however the Council are not expecting any material cases.

AfC have reported a net pension liability of £50.8m in their 2019/20 Accounts. As 40% share owners the Council would be responsible for meeting their share of this liability were AfC to cease trading. AfC have been assessed to be a Going Concern since their inception and have reported a small profit in 2019/20.

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 2020.

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 CIES or Balance Sheet. Orleans House Trust forms part of the Council's consolidated Group Accounts.

2019/20

Fund	Income £000	Expenditure £000	Assets £000
Orleans House	91	2	7,698
Housing Trust	13	0	1,387
Other minor trust funds	2	0	256
Total	106	2	9,341

2018/19

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

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 table provides detail of the HLU's Balance Sheet.

2018/19		2019/20
£000		£000
6,986	Equity Shares in Property	6,676
6,986	Long Term Assets	6,676
423	Short-Term Investments	143
11	Short-Term Debtors	12
1,138	Cash and Cash Equivalents	539
1,572	Current Assets	694
(942)	Short-Term Creditors	(432)
(942)	Current Liabilities	(432)
7,616	Net Assets	6,938
(630)	Usable Reserves	(262)
(6,986)	Unusable Reserves	(6,676)
(7,616)	Total Reserves	(6,938)

Note 46 – Group Relationships

Interests in Companies and Other Entities

Orleans House Trust

The Council is the sole trustee of 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 ensures that both organisations aims are achieved in the most cost-effective way. The objectives of both organisations are delivered by the same team located at Orleans House premises. The Council continues to assess that the 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 2019/20 Accounts therefore present the trust as a Subsidiary of the Council.

Achieving for Children (AfC)

Group Accounts have been included in this Statement of Accounts, recognising the Council's significant interest in AfC which is a Joint Venture with RB Kingston and RB Windsor and Maidenhead. From the Council's perspective, AfC continues to be a Joint Venture which is consolidated in these Accounts using the equity method. The judgement is made on the basis that AfC being an arrangement under which 2 (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two founding councils have rights to the net assets of the arrangement. AfC continues to operate at arm's length from the Council and LB Richmond therefore acts as commissioners – commissioning AfC to provide services such as children's social care, 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 not incurred any continued set up costs in 2019/20 (£1.2m in 2018/9).

South London Legal Partnership (SLLP)

First formed in 2011, the South London Legal Partnership is now London's first five-borough shared legal service. Working on behalf of the London Boroughs of Merton, Richmond, Kingston, Sutton and Wandsworth. The service is hosted by LB Merton but governed by a joint board which oversees the delivery of services.

The aim of the service is to provide more resilient and higher quality legal services than that provided by each authority individually, assuming that future savings will need to be made to the budgets of all local authorities. The service is ISO 9001:2015 accredited and provides the full remit of local authority legal services to the Directorates of all councils as well as advice to councillors, the committees of the councils and to schools.

The Council incurred expenditure of £0.5m in 2019/20 (£0.6m in 2018/19) in relation to SLLP.

Internal Audit and Investigations Service (IAIS)

Internal Audit is delivered by the South West London Audit Partnership (SWLAP) which is a five Borough shared audit service covering the London Boroughs of Merton, Richmond, Sutton, Kingston, and Wandsworth – with Richmond and Wandsworth SSA being the host. SWLAP also includes delivery of audit services to AfC. The audit service is largely provided by the in-house audit team however specialist audit services are procured through the Croydon framework contract which is currently provided by Mazars.

Fraud work is undertaken by the South West London Fraud Partnership (SWLFP) which is a shared service covering the same five boroughs and again led by the SSA. Both the shared audit and fraud services are overseen by the Shared Service Board which includes the Section 151 officers from each of the constituent councils or their delegated representatives. The partnering boroughs are charged based on time spent and an agreed audit day rate.

The Council spent £2m on the Internal Audit side of IAIS in 2019/20 and recovered £1.6m from the partnering boroughs (£2m expenditure and £1.5m income in 2018/19). The Council spent £0.1m on the Investigations Service in 2019/20 which is unchanged from 2018/19.

Pension Shared Service

The Pension Shared Service is a five-borough service that administers the Local Government Pension Scheme for the London Boroughs of Camden, Merton, Richmond, Waltham Forest and Wandsworth, with Wandsworth Council as the host.

The Council incurred expenditure of £0.1m in 2019/20 (£0.3m in 2018/19) in relation to this service.

Consumer Protection Service

Since 2014 the Council has had a joint arrangement with LB Merton for the provision of Consumer Protection. 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 back to LB Richmond.

The Council incurred expenditure of £0.7m in 2019/20 (£0.9m in 2018/19) in relation to this shared service.

Note 47 – 2018/19 Restatements

Where prior period errors are discovered in the accounts, IAS8 requires the Council to prepare a note to the accounts to explain the nature of the error and to detail the corrections taken.

Several years ago, many of the secondary schools opted to become academies, effectively opting out of Local Authority control. Ordinarily at this point, the value of the school's assets held on the balance sheet would be removed.

However, at the time, there were a number of high value building works in progress at the schools and in order for the Council to retain control over these works, short-term property leases were agreed with each Academy. The value of the buildings therefore remained on the balance sheet. The value of the assets should have been removed from the balance sheet when the schools achieved Academy status but unfortunately were not. The restatement made to the 2018/19 accounts corrects this position.

The changes to the main statements of the accounts are as follows:

Comprehensive Income and Expenditure Statement

	Original	Changes	Restated
	£000	£000	£000
Adults, Health and Housing	56,631	0	56,631
Education and Children's Services	85,949	2,263	88,212
Environment, Sustainability, Culture & Sport	20,765	0	20,765
Transport and Air Quality	491	0	491
Finance, Policy and Resources	46,375	0	46,375
Cost of Services	210,211	2,263	212,474
Other Operating Expenditure	12,279	0	12,279
Financing and Investment Income and Expenditure	7,564	0	7,564
Taxation and Non-Specific Grant Income	(165,480)	0	(165,480)
Surplus or Deficit on Provision of Services	64,574	2,263	66,837
Surplus or deficit on revaluation of Property, Plant and Equipment	51,718	4,723	56,441
Remeasurement of the net defined benefit liability / asset	(52,763)		(52,763)
Other Comprehensive Income and Expenditure	(1,045)	4,723	3,678
Total Comprehensive Income and Expenditure	63,529	6,986	70,515

Balance Sheet

	Original	Changes	Restated
	£000	£000	£000
Property, Plant and Equipment	1,121,362	(288,533)	832,829
Heritage Assets	2,682	0	2,682
Investment Property	18,922	0	18,922
Intangible Assets	129	0	129
Long-Term Investments	750	0	750
Long-Term Debtors	23,065	0	23,065
Long Term Assets	1,166,910	(288,533)	878,377
Short-Term Investments	32,253	0	32,253
Inventories	12	0	12
Short-Term Debtors	67,861	0	67,861
Cash and Cash Equivalents	5,034	0	5,034
Current Assets	105,160	0	105,160
Short-Term Borrowing	(7,134)	0	(7,134)
Short-Term Creditors	(63,576)	0	(63,576)
Provisions	(2,724)	0	(2,724)
Grants Receipts in Advance - Revenue	(2,925)	0	(2,925)
Grants Receipts in Advance - Capital	(1,744)	0	(1,744)
Current Liabilities	(78,103)	0	(78,103)
Long-Term Creditors	(2)	0	(2)
Provisions	(613)	0	(613)
Long-Term Borrowing	(117,473)	0	(117,473)
Other Long-Term Liabilities	(229,008)	0	(229,008)
Grants Receipts in Advance - Revenue	(713)	0	(713)
Grants Receipts in Advance - Capital	(6,652)	0	(6,652)
Long Term Liabilities	(354,461)	0	(354,461)
Net Assets	839,506	(288,533)	550,973
Usable Reserves	(66,797)	0	(66,797)
Unusable Reserves	(772,709)	288,533	(484,176)
Total Reserves	(839,506)	288,533	(550,973)

Cashflow Statement

	Original	Changes	Restated
	£000	£000	£000
Net (surplus) or deficit on the provision of services	64,575	2,263	66,838
Adjustment to surplus or deficit on the provision of services for noncash movements	(86,932)	1,055	(85,877)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	18,209	0	18,209
Net cash flows from operating activities	(4,148)	3,318	(830)
Net cash flows from investing activities	21,513	(3,318)	18,195
Net cash flows from financing activities	(3,353)	0	(3,353)
Net (increase) or decrease in cash and cash equivalents	14,012	0	14,012
Cash and cash equivalents at the beginning of the reporting period	19,046	0	19,046
Cash and cash equivalents at the end of the reporting period	5,034	0	5,034

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 (Non-Domestic Rates - NDR) and the Business Rates Supplement (BRS).

31 March 2019				31 March 2020				
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:								
		(152,823)	(152,823)	Council Tax Receivable			(161,314)	(161,314)
(89,478)			(89,478)	Business Rates Receivable	(86,198)			(86,198)
(924)		(2)	(926)	Transitional Protection Payments Receivable	(177)		(1)	(178)
	(2,363)		(2,363)	Business Rates Supplements receivable		(2,276)		(2,276)
(90,402)	(2,363)	(152,824)	(245,589)	Total amounts to be credited	(86,375)	(2,276)	(161,315)	(249,966)
EXPENDITURE:								
Apportionment of Previous Year Surplus/Deficit:								
(1,251)			(1,251)	Central Government	2,150			2,150
(900)		1,750	850	LB Richmond	2,377		1,500	3,877
(849)		361	(488)	Greater London Council	2,649		312	2,961
Precepts, demands and shares:								
0			0	Central Government	22,519			22,519
57,396		125,407	182,803	LB Richmond	43,237		131,211	174,448
32,285		26,119	58,404	Greater London Council	24,321		28,353	52,674

Business Rate Supplement:

	2,169		2,169	Payment to levying authority's Business Rate Supplement Revenue Account		2,033		2,033
	6		6	Administrative Costs		7		7

Charges to Collection Fund:

358	0	139	496	Write-offs of uncollectable amounts	545	0	251	796
407	188	515	1,110	Increase/(decrease) in allowance for impairment	450	236	802	1,488
(1,924)			(1,924)	Increase/(decrease) in allowance for appeals	(758)			(758)
290			290	Charge to General Fund for allowable collection costs for non-domestic rates	284			284

85,812	2,363	154,290	242,465	Total amounts to be debited	97,774	2,276	162,429	262,479
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(4,590)	0	1,466	(3,124)	(Surplus)/Deficit arising during the year	11,399	0	1,114	12,513
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(3,541)	0	(3,425)	(6,966)	(Surplus)/Deficit b/f at 1 April 2019	(8,131)	0	(1,959)	(10,090)
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(8,131)	0	(1,959)	(10,090)	(Surplus)/Deficit c/f at 31 March 2020	3,268	0	(845)	2,423
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Notes to the Collection Fund

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

2019/20

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of	
		no of dwellings No		dwellings No	
A	Upto and including - 40,000	378	6/9	252	
B	40,001 - 52,000	1,327	7/9	1,032	
C	52,001 - 68,000	9,170	8/9	8,151	
D	68,001 - 88,000	16,629	9/9	16,629	
E	88,001 - 120,000	17,139	11/9	20,948	
F	120,001 - 160,000	11,026	13/9	15,926	
G	160,001 - 320,000	12,130	15/9	20,217	
H	More than - 320,001	3,304	18/9	6,608	
				Adjustment	(1,347)
				Plus Ministry of Defence Properties	48
				Council tax base	<u>88,464</u>

2018/19

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of	
		no of dwellings No		dwellings 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	
				Adjustment	(1,352)
				Plus Ministry of Defence Properties	48
				Council tax base	<u>88,770</u>

The rateable value on non-domestic properties at 31 March 2020 was £221.3m (£225.4m for 31 March 2019).

The Business Rates multiplier for 2019/20 was 50.4p (49.3p for 2018/19) and the small business multiplier for 2019/20 was 49.1p (48.0p for 2018/19).

Consolidated Group Accounts

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 2019/20 (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 is required to prepare group accounts where it has any interests in Subsidiaries, Associates and any Joint 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

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

Achieving for Children (AfC)

AfC was established on 5 February 2014 and was operational from 1 April 2014. It is a Community Interest Company limited by Guarantee that is jointly owned by the Council (40%), RB Kingston (20%) and RB Windsor and Maidenhead (20%). All Councils have commissioned AfC to provide Children's 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

All 3 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. LB Richmond funded 38.7% of the loan in 2019/20.

The Accounting Policies of both Orleans House Trust 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

2018/19 (Restated)			2019/20			
Expenditure	Income	Net	Expenditure	Income	Net	
£000	£000	£000	£000	£000	£000	
98,039	(41,408)	56,631	Adults, Health and Housing	92,795	(38,474)	54,321
232,143	(143,838)	88,305	Education and Children's Services	194,521	(142,230)	52,291
35,714	(14,949)	20,765	Environment	39,768	(15,585)	24,183
21,540	(21,049)	491	Transport and Air Quality	21,022	(20,012)	1,010
122,661	(76,286)	46,375	Finance, Policy and Resources	104,311	(74,012)	30,299
510,097	(297,530)	212,567	Cost of Services	452,417	(290,313)	162,104
12,279	0	12,279	Other Operating Expenditure	9,283	(1,738)	7,545
25,944	(18,380)	7,564	Financing and Investment Income and Expenditure	30,154	(19,220)	10,934
0	(165,480)	(165,480)	Taxation and Non-Specific Grant Income	0	(169,616)	(169,616)
548,3208	(481,390)	66,930	Surplus or Deficit on Provision of Services	491,854	(480,887)	10,967
		2,699	Share of the Surplus or deficit of Joint Ventures			4,196
		69,629	Group Surplus or Deficit			15,163
		56,309	Surplus or deficit on revaluation of Property, Plant and Equipment			(44,039)
		(52,763)	Remeasurement of the net defined benefit liability / asset			(9,466)
		3,466	Share of Other CIES of Joint Ventures			(4,900)
		7,0129	Other Comprehensive Income and Expenditure			(58,405)
		76,641	Total Comprehensive Income and Expenditure			(43,242)

Group Balance Sheet

31 March 2019 (Restated) £000		31 March 2020 £000
840,555	Property, Plant and Equipment	875,567
3,674	Heritage Assets	4,541
18,922	Investment Property	14,391
129	Intangible Assets	39
750	Long Term Investments	750
23,065	Long Term Debtors	22,499
887,095	Long Term Assets	917,787
32,253	Short-term Investments	55,998
12	Inventories	20
67,861	Short Term Debtors	65,262
5,132	Cash and Cash Equivalents	1,837
105,258	Current Assets	123,117
(7,134)	Short-Term Borrowing	(7,318)
(63,576)	Short-Term Creditors	(59,259)
(2,724)	Provisions	(1,799)
(2,925)	Grants Receipts in Advance - Revenue	(3,488)
(1,744)	Grants Receipts in Advance - Capital	(2,489)
(78,103)	Current Liabilities	(74,353)
(2)	Long-Term Creditors	(307)
(613)	Provisions	(581)
(117,473)	Long Term Borrowing	(127,474)
(229,008)	Other Long-Term Liabilities	(230,412)
(713)	Grants Receipts in Advance - Revenue	0
(6,652)	Grants Receipts in Advance - Capital	(5,449)
(24,859)	Share of Joint Venture Liability	(24,155)
(379,320)	Long Term Liabilities	(388,378)
534,930	Net Assets	578,173
(66,895)	Usable Reserves	(87,716)
(492,894)	Unusable Reserves	(514,612)
24,859	Share of Joint Venture Reserves	24,155
(534,930)	Total Reserves	(578,173)

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 2018 (Restated)	(59,688)	(561,801)	9,916	(611,573)
Movement in reserves during 2018/19				
Surplus or deficit on the provision of services	66,838	0	2,792	69,630
Other Comprehensive Income / Expenditure	0	3,678	3,334	7,012
Total Comprehensive Income and Expenditure	66,838	3,678	6,126	76,642
Adjustments between accounting basis and funding basis under regulations	(73,947)	73,947	0	0
Net Increase or Decrease in 2018/19	(7,109)	77,625	6,126	76,642
Balance at 31 March 2019	(66,797)	(484,176)	16,042	(534,931)
Movement in reserves during 2019/20				
Surplus or deficit on the provision of services	11,056	0	4,107	15,163
Other Comprehensive Income / Expenditure	0	(53,505)	(4,900)	(58,405)
Total Comprehensive Income and Expenditure	11,056	(53,505)	(793)	(43,242)
Adjustments between accounting basis and funding basis under regulations	(31,786)	31,786	0	0
Net Increase or Decrease in 2019/20	(20,730)	(21,719)	(793)	(43,242)
Balance at 31 March 2020	(87,528)	(505,895)	15,249	(578,173)

Group Cash Flow Statement

2018/19 (Restated)		2019/20
£000		£000
69,630	Net (surplus) or deficit on the provision of services	15,163
(88,576)	Adjustment to surplus or deficit on the provision of services for noncash movements	(45,407)
18,209	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	18,529
(737)	Net cash flows from operating activities	(11,715)
18,195	Net cash flows from investing activities	16,339
(3,353)	Net cash flows from financing activities	(1,329)
14,105	Net (increase) or decrease in cash and cash equivalents	(3,295)
19,238	Cash and cash equivalents at the beginning of the reporting period	4,935
5,133	Cash and cash equivalents at the end of the reporting period	1,640

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

Opinion

We have audited the financial statements of London Borough of Richmond upon Thames for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the: Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Movement in Reserves Statement, Authority Cash Flow Statement and the related notes 1 to 47; Collection Fund and the related notes; and the Consolidated Group Accounts comprising the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Movement in Reserves Statement, and Group Cash Flow Statement.

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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Richmond upon Thames and Group as at 31 March 2020 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 2019/20.

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 London Borough of Richmond upon Thames 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 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.

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4 Sources of estimation uncertainty, Note 14 Property, plant and equipment and Note 16 Investment Property which describe the valuation uncertainty the Authority is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

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 Accounts for the year 2019/20, 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 April 2020, we are satisfied that, in all significant respects, 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 2020.

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 Responsibilities set out on page 12, 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 2019/20, 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 April 2020, 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 2020.

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.

Certificate

We certify that we have completed the audit of the accounts of London Borough of Richmond upon Thames in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of 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 London Borough of Richmond upon Thames and the London Borough of Richmond upon Thames'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
29 January 2021

Annual Governance Statement 2019/20

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.

On 14 May 2019, the Council moved to a committee system model of governance. This involves the Council making the majority of its decisions through one of its five Committees. These Committees cover each of the Council's main service areas. In addition to the Committees, the Full Council which consists of all 54 Councillors is responsible for setting and approving the budget and policy framework for the Council year to year.

There are also a range of other Council Committees and bodies which are responsible for making various decisions relating to Council functions and services. This includes the Policy and Performance Review Board which is a non-decision making Board, responsible for reviewing policy and performance.

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. There continue to be inconsistencies in the reporting of corporate complaints, including regarding the numbers of complaints received. The councils have procured 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 2019-20; 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. Officer monitoring is rigorous with regular reviews of performance at both Departmental and Directors' Board level. Throughout the year performance is reported to the relevant Service Committee and to the Policy and Performance Review Board. 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.

In 2019 the Council declared a Climate Emergency, setting a target to be a carbon neutral organisation by 2030 and zero-carbon by 2050. The Council's leaders have acknowledged that this can't be achieved alone and is underpinned by engagement and openness to collaborative working. The Council will need to continue with its engagement and communications plan, that puts partnership working with residents, business and community groups at the heart of its work to deliver real and sustainable carbon footprint reductions.

This is a challenging endeavour that will have far reaching implications across the Councils operations.

Developing the entity's capacity, including the capability of its leadership and the individuals within it. Council, Service Committee, 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.

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, and a complaints procedure setting out how complaints against members should be dealt with and the role of the Council's Audit, Standards and Statutory Accounts committee in adjudicating on such complaints. This ensures 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. A series of workshops were run during the year to provide support to all Heads of Services with this process.

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 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 Audit, Standards and Statutory Accounts 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. The full Council is responsible for setting and approving the budget and policy framework within which the Committees must operate. It is the ultimate policy making body for Richmond upon Thames.

The Council is also responsible for electing the Leader and Deputy Leader and appointing members of the Committees, the Policy Performance and Review Board and members of other committees and bodies.

The Audit, Standards and Statutory Accounts Committee. The Audit, Standards and Statutory Accounts 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 carried out its annual review of the Council's Risk Management Strategy in July 2019 and found it to be fit for purpose and operating robustly and considered reports from External Audit during the year. It has approved the Council's Accounts for 2018/19 together with a report from the External Auditor. It has also considered the External Auditor's Annual Audit and Inspection letter for 2018/19. 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.

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, Standards and Statutory Accounts 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 Standards and Statutory Accounts 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's Monitoring Officer. The Council has appointed the Managing Director of the South London Legal Partnership to act as its Monitoring Officer.

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) Facilities Management

An audit completed by the Council's Internal Audit team identified significant areas of concern in relation to the operation and management of the Facilities Management service which has left the systems open to error and fraud. Most significantly, a full audit trail could not be located for any of the jobs reviewed, which would allow a proper assessment of whether works had been appropriately ordered, completed and charged for. Furthermore, widespread non-compliance with procedure and a significant increase in expenditure over and above the agreed budgets was identified. Further audit work will be completed in due course to reassess implementation of recommendations.

(b) Data Security

The challenges to delivering effective data security management require constant review especially following key data protection legislation changes. 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 is 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 arrangements are in place. Six audit reports included recommendations related to Contract Management. The risk of service disruption due to poor service delivery or contractor failure is recognised and a corporate risk specialist category of 'Contract Management' is included within the Risk Management Strategy, thereby ensuring that Service Managers continually review their control arrangements 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 endorsed an initial review by Internal Audit to evaluate how a corporate approach to contract management training and guidance for officers could deliver improvements. Following this initial report Directors Board agreed that a further piece of work should be commissioned with an external expert with a view to providing recommendations that will be reported back later in the year.

(e) Business Continuity and Disaster Recovery

The transition to making more services available on-line, and the need to ensure that core supporting systems operate effectively, sees the Council's dependency on IT systems continue to increase and with that a need to ensure resilience in service availability. To minimise cyber security threats and to support the efficient delivery of Council services the need to refresh IT security is constant.

This significance increased significantly towards the end of the year with the impact of Covid 19 and the volume of staff needing effective IT solutions that enabled them to work from home. With staff now based across multiple sites and significant numbers working from home, the ability to continue to provide services despite challenges that arise is more challenging and requires a new approach.

(f) Dedicated Schools Grant (DSG)

A continuing significant issue 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. This challenging financial context is being exacerbated by escalating need for high needs educational support and social care support. 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 submitted a Deficit Recovery Plan to the DfE at the end of June 2019 outlining how the funding gap could be addressed. The position, even after allowing for successful implementation of the plan is worse than anticipated due to a higher than expected need for new EHCPs and additional pressures regarding required places for alternative provision. The projected level of spend is not affordable for schools or the Council in the longer term and therefore it is important that all local partners continue to develop and implement plans to bring the cost of high needs services more in line with the Government grant allocation whilst continuing to meet the needs of pupils. It is also important that both schools and the Council continue to raise awareness of the funding shortfall with Government and lobby for solutions. Significant progress has been made in improving the efficiency of SEND activities over recent years through improving commissioning and improving the local offer. However, a significant funding gap still remains and so it is important that the transformation continues.

(g) Covid -19

Covid-19 is having the most significant impact on the Council's services in decades. It has resulted in changes to the way in which services are delivered and how services are operated. The Council's departments will need to adapt to an undetermined period of change and operate flexibly to deal with the evolving situation.

As part of the emergency response, a number of governance arrangements were changed in response to COVID-19:

- Formal committee meetings were cancelled in the interests of public safety. Changes in legislation now allow Committee meetings to be held virtually and online Committee meetings have reconvened.
- The council adopted formal London Resilience (Gold, Silver) arrangements to manage the coronavirus response in the borough alongside a Financial Resilience Group to track the financial impacts of COVID-19.
- Redeployment of council employees to key areas.
- Additional funding has been provided by central government to local authorities to cover additional costs. Funding has also been provided for businesses and the voluntary sector.

During 2020/21, the council will need to consider preparations to return to a new 'normal', lessons learnt and assess the long-term impact and consequences of the pandemic.

Signed:



Cllr Gareth Roberts
Leader of the Council



P Martin
Chief Executive

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

The period 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.

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 enough reliability.

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

A lease that transfers substantially all 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 BENEFIT

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 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, Government and major preceptors.

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 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 NDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in IAS 24. 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

Material transactions of nature or value between the authority and related parties are shown to ensure that stakeholders are aware when these transactions occur and the implications.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses (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.

INVENTORY

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

TEMPORARY BORROWING

Money borrowed for a period of less than 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.