London Borough of Richmond upon Thames

Audited Accounts for the year 2020/21

Audited
Published 4 February 2022

www.richmond.gov.uk

Contents

Narrative Report

Introduction

This is the Statement of Accounts of the London Borough of Richmond upon Thames (LB Richmond) for the financial year 2020/21. 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 three 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 four 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 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, Standards and Statutory Accounts Committee of the Council has responsibility for monitoring the effective development and operation of risk management policies in the Council, making recommendations to the Executive on risk management procedures. The Annual Governance Statement again confirms that the Council's Risk Management Strategy is effective and well embedded into corporate management processes. The latest review of the Council's key risks and mitigating controls can be found here:
https://cabnet.richmond.gov.uk/documents/s87149/Richmond%20Annual%20Review%20of%20Risk%20Management%20-%20Report.pdf

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 have played and continue to play a vital role in supporting communities and local economies during the crisis. Whilst there has been a significant effect on the 2020/21 accounts, the full scale of its impact on the Council's finances will continue to be felt as the route out of the pandemic emerges in 2021/22 and beyond.

The Council's financial position will enable the Council to mitigate the risk of further costs of Covid-19, allow investment into the Borough to deliver a strong recovery from Covid-19 and mitigate against exposure to future changes in Government funding.

The Council continues its strong commitment and good track record of working in partnership, particularly important in the last year when working with the voluntary sector and other parts of the public and private sector to respond to the Covid-19 pandemic. The Council has worked with the local NHS on ensuring swift discharge from hospital, supported care homes and managed wider community test and trace programmes. The voluntary sector has supported food supply and support to the most vulnerable in our communities. The Council is developing a Covid-19 recovery programme and has allocated specific funding, much of which is expected to continue, to support the work with local partners and the wider community.

The Council has provided significant levels of grant funding to local businesses in response to the pandemic. These grants are not accounted for within the Council's accounts because the Council is acting as the agent (for central Government), rather than the principal. Payments to local businesses, fully funded by central Government, totaled £50m during 2020/21 for retail, hospitality, leisure, and nurseries plus business rate relief to support them from the financial disruption caused by Covid-19, as well as payments to providers of adult social care.

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, 2020/21 and 2021/22 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). In addition, the Government intends to review the way integrated health/social care is funded and again the timing and detail of this remains unclear. The Council will continue to engage with Government on consultations to ensure the best possible outcomes for the Borough.

In addition to this, business rates income is particularly uncertain as a result of the Covid-19 pandemic. The Government agreed to cover 75% of 2020/21 losses but there is currently no guarantee beyond that. The Council relies on around £25m of business rates income and, whilst some business rate reliefs have been granted (and funded) by Government for those sectors hit hardest by the pandemic, the impact of Covid-19 on future total debits raised and income collected remains to be seen.

Increase in demand for services

In addition to further anticipated reductions in Government funding the Council also expects to see rising demand for services following the challenges of Covid-19 and 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 with the Council's General Fund currently holding the funding risk where grant funding for schools proves insufficient to meet statutory requirements. The Council and the Department for Education have reached h an agreement of additional 'safety valve' funding over a five-year period to support the write off of the cumulative Dedicated Schools Grant (DSG) deficit. The Council has also set aside an amount within the Financial Resilience Reserve to match the current deficit level in order to mitigate against future pressures in this area.

In addition it is anticipated that some behavioral changes seen in the past year may continue, with leisure and events related income slow to recover (possibly not recovering to pre-pandemic levels), parking and traffic related income affected as people's travel habits change and sustained home working continuing to impact on domestic waste levels.

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/s86483/20200910%20MTFS%20FINAL.pdf.

A revised version will be presented to Committee for approval in September 2021 when there will be a further update on the anticipated funding and expenditure pressures due to Covid-19.

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 2020/21 of £6.4m and an in-year deficit in the DSB of £2.2m 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=5098&Ver=4.

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

Committee	Revised Budget £000	Outturn (excl Covid-19) £000	Variance £000	Covid-19 Actuals £000
Adult Social Services, Health and Housing	52,453	47,649	**(4,804)**	4,228
Education and Children's Services	31,440	32,732	**1,292**	1,120
Environment, Sustainability, Culture and Sports	25,987	25,975	**(12)**	7,186
Finance, Policy and Resources	32,425	27,634	**(4,791)**	818
Transport and Air Quality	(5,720)	(6,419)	**(699)**	5,482
Carry forward of projects to 2021/22	0	1,791	**1,791**	0
Total Service Expenditure	**136,586**	**129,362**	**(7,223)**	**18,834**
Central Items	38	(2,136)	(2,174)	0
Covid-19 Grants	0	0	0	(18,834)
New transfers to Reserves	0	3,015	3,015	0
Total 2020/21	**136,625**	**130,241**	**(6,382)**	**0**

Before Central Items and excluding Covid-19 related activity, the Council recorded a net underspend of £7.2m as some non-pandemic related Council activity was substantially reduced in year. Within this there were over and underspends across the Directorates, reflecting the wide range of services provided. Within Central Items, there are a number of variances to budget which total £2.2m: the approach to charging services for Pension Fund contributions has changed in the year generating an underspend of £1.6m and the unallocated central contingency at year end was £2.7m, partially offset by additional revenue contributions being made to fund the capital programme of £2.1m.

The Council has received a number of general and specific grants during the year to fund costs associated with its response to the pandemic. Additional funding to partially compensate for lost income due to Covid-19 has also been received (£8.2m). All costs and lost income incurred during 2020/21 have been covered by grant received including the use of £1.2m of grant received in 2019/20, as can be seen below:

	£000
Covid-19 Expenditure 2020/21 **Funded by:**	**27,743**
Specific Grant income	(8.909)
Hardship Fund Covid-19	(1,119)
General Covid-19 Grant	(8,233)
Income Loss Compensation	(8,234)
Covid-19 Grant Received in 2019/20	(1,248)
Total Funding 2020/21	**(27,743)**

Revenue Reserves

The Council's General Fund Reserve at the end of 2020/21 has increased by £1.8m to £12.5m which represents 7.8% of the Council Budget Requirement for 2021/22 and is within the guidelines agreed by the Council.

Three reserves have temporarily increased balances at year end which relate to timing differences between income received and spend/lost income still to be incurred as a result of Covid-19: the NNDR Volatility Reserve (£21.9m), Covid-19 Support Grant Reserve (£1.1m) and Council Tax Volatility Reserve (£1m). Earmarked General Fund reserve balances at year end are temporarily inflated as a result.

Individual schools reserves have increased by £0.7m and a further £11.8m 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 Medium Term Financial Strategy.

The accounting rules regarding DSG deficit reserves has changed and the reserve is now shown as an unusable reserve (£11.2m deficit) in line with the Code requirements.

Excluding these, other earmarked reserves have increased to £59.5m. As outlined above, the Financial Resilience Reserve balance now includes £11.2m set aside to match the 2020/21 DSG deficit. A further £12.4m has been added at year end to mitigate against general Council wide pressures in the future.

Capital

The Council has spent £20.3m on the capital programme in 2020/21. This is detailed in the table below.

Committee	Revised Budget £000	Outturn £000	Slippage / amendments £000
Adult Social Services, Health and Housing	2,531	1,988	(543)
Education and Children's Services	2,778	5,104	2,326
Environment, Sustainability, Culture and Sports	4,122	2,204	(1,918)
Finance, Policy and Resources	5,861	3,145	(2,716)
Transport and Air Quality	10,340	7,820	(2,520)
Total 2020/21	**25,632**	**20,261**	**(5,371)**

The Council carried out a major review of the existing capital budget during 2020/21 as part of the capital programme and funding review in February 2021 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.

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 £257.3m at 31 March 2021 (increased from £208.6m at 31 March 2020). 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 reduced its underlying need to borrow (Capital Financing Requirement) by £6.1m during the year to £169.4m. This reduction represented part funding for £20.3m of capital spend incurred during the year. The Council's actual borrowing decreased from £134.8m at 31 March 2020 to £130.4m at 31 March 2021. This is due to no new borrowing being taken in 2020/21. 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 2021 report is available on the following link:
https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CId=801&MId=4956&Ver=4.

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 £135.1m over a six-year period. The programme includes new schemes totaling £12.7m, of which £4.0m 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 £4.8m.

Outlook

The Council's MTFS details the current position and assumed future direction of travel for the Council's finances. The Council will focus on managing the impacts of Covid-19 in the local area, supporting residents, businesses and the voluntary sector and keeping the Council's finances on a secure footing. The Council will continue to invest in good local services while protecting the most vulnerable in the community and investing for the future. 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 £74m. £30m of these have been achieved by internal restructuring and the sharing of services with other organisations, £23m from procurement and contract savings and £21m 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 £2.6m of extra savings/ income have been identified to be delivered in 2021/22. The strategy continues to evolve, and an updated version will be published in September reflecting the continuing circumstances resulting from the effect of Covid-19 on the Council's finances and its impact on local residents and businesses.

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;
- 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

The Director of Resources 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 has:

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

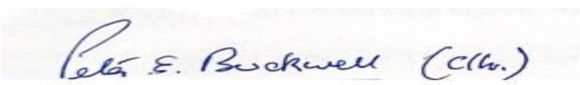
The Director of Resources has also:

- 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 2021 and its income and expenditure for the year ended 31 March 2021.

Fenella Merry
Director of Resources
3 February 2022



Chair of the Audit, Standards and Statutory Accounts Committee
3 February 2022

Date authorised for issue: This statement of accounts is authorised for issue on 3 February 2022 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.

	Reclassified 2019/20					2020/21	
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**	*Notes*		**£000**	**£000**	**£000**
92,795	(38,474)	54,321		Adults, Health and Housing	98,687	(43,443)	55,244
194,521	(142,230)	52,291		Education and Children's Services	190,694	(148,631)	42,063
39,772	(15,500)	24,272		Environment, Sustainability, Culture & Sport	38,926	(13,473)	25,453
21,022	(20,012)	1,010		Transport and Air Quality	22,393	(16,211)	6,182
104,311	(72,500)	31,811		Finance, Policy and Resources	100,438	(78,840)	21,598
452,421	**(288,716)**	**163,705**		**Cost of Services**	**451,138**	**(300,598)**	**150,540**
9,283	(1,738)	7,545	*11*	Other Operating Expenditure	14,093	0	14,093
30,154	(19,220)	10,934	*12*	Financing and Investment Income and Expenditure	23,434	(17,130)	6,304
0	(171,128)	(171,128)	*13*	Taxation and Non-Specific Grant Income	0	(186,034)	(186,034)
491,858	**(480,802)**	**11,056**		**Surplus or Deficit on Provision of Services**	**488,665**	**(503,762)**	**(15,097)**
		(44,039)	*14*	Surplus or deficit on revaluation of Property, Plant and Equipment			(117,158)
		(9,466)	*42*	Remeasurement of the net defined benefit liability / asset			37,654
		(53,505)		**Other Comprehensive Income and Expenditure**			**(79,504)**
		(42,449)		**Total Comprehensive Income and Expenditure**			**(94,601)**

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. The second category of reserves is those that the authority is not able to use to provide services, i.e. the Revaluation Reserve.

31 March 2020 £000	*Notes*		31 March 2021 £000
867,841	*14*	Property, Plant and Equipment	970,317
3,549	*15*	Heritage Assets	3,556
14,391	*16*	Investment Property	14,747
39		Intangible Assets	10
750	*17*	Long-Term Investments	0
22,499	*17*	Long-Term Debtors	22,780
909,069		**Long Term Assets**	**1,011,410**
55,998	*17*	Short-Term Investments	44,432
20		Inventories	3
65,262	*18*	Short-Term Debtors	106,626
1,650	*20*	Cash and Cash Equivalents	72,342
122,930		**Current Assets**	**223,403**
(7,318)	*17*	Short-Term Borrowing	(11,002)
(59,259)	*21*	Short-Term Creditors	(97,442)
(1,799)	*22*	Provisions	(2,732)
(3,488)	*35*	Grants Receipts in Advance - Revenue	(28,216)
(2,489)	*35*	Grants Receipts in Advance - Capital	(1,744)
(74,353)		**Current Liabilities**	**(141,136)**
(307)	*17*	Long-Term Creditors	(311)
(581)	*22*	Provisions	(416)
(127,474)	*17*	Long-Term Borrowing	(120,259)
(230,412)		Other Long-Term Liabilities	(277,447)
0	*35*	Grants Receipts in Advance - Revenue	(1,636)
(5,449)	*35*	Grants Receipts in Advance - Capital	(5,584)
(364,223)		**Long Term Liabilities**	**(405,653)**
593,423		**Net Assets**	**688,024**
(87,528)	*23*	Usable Reserves	(153,280)
(505,895)	*24*	Unusable Reserves	(534,744)
(593,423)		**Total Reserves**	**(688,024)**

Fenella Merry

Fenella Merry, Director of Resources

3 February 2022

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.

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	Notes	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2020		(10,753)	(50,964)	(4,752)	(21,059)	(87,528)	(505,895)	(593,423)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020		**(14,835)**				(14,835)	14,835	0
Restated Balance at 1 April 2020		**(25,588)**	**(50,964)**	**(4,752)**	**(21,059)**	**(102,363)**	**(491,060)**	**(593,423)**
Surplus or deficit on the provision of services	*CIES*	(15,097)				(15,097)		(15,097)
Other Comprehensive Income / Expenditure	*CIES*						(79,504)	(79,504)
Total Comprehensive Income and Expenditure		**(15,097)**	**0**	**0**	**0**	**(15,097)**	**(79,504)**	**(94,601)**
Adjustments between accounting basis and funding basis under regulations	*9*	(24,995)		(4,959)	(5,866)	(35,820)	35,820	0
Net Increase or Decrease before Transfers to Earmarked Reserves		**(40,092)**	**0**	**(4,959)**	**(5,866)**	**(50,917)**	**(43,684)**	**(94,601)**
Transfers to / from Earmarked Reserves	*10*	53,134	(53,134)			0	0	0
Increase or Decrease in 2020/21		**13,042**	**(53,134)**	**(4,959)**	**(5,866)**	**(50,917)**	**(43,684)**	**(94,601)**
Balance at 31 March 2021		**(12,546)**	**(104,098)**	**(9,711)**	**(26,925)**	**(153,280)**	**(534,744)**	**(688,024)**

	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)**
Surplus or deficit on the provision of services	*CIES*	11,056				11,056		11,056
Other Comprehensive Income / Expenditure	*CIES*						(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	0
Increase or Decrease in 2018/19		**(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)**

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.

2019/20 £000	Notes		2020/21 £000
11,056		Net (surplus) or deficit on the provision of services	(15,097)
(41,211)		Adjustment to surplus or deficit on the provision of services for noncash movements	(108,228)
18,529		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26,079
(11,626)	25	**Net cash flows from operating activities**	**(97,246)**
16,339	26	Net cash flows from investing activities	(18,044)
(1,329)	27	Net cash flows from financing activities	44,598
3,384		**Net (increase) or decrease in cash and cash equivalents**	**(70,692)**
5,034		Cash and cash equivalents at the beginning of the reporting period	1,650
1,650		**Cash and cash equivalents at the end of the reporting period**	**72,342**

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its year end position at 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021. 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 2020/21 (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 Covid-19 pandemic has required an urgent response from the Council to put in place provisions which support residents and businesses. It is still difficult to scope the long-term impact of the current crisis and how Government funding may change as a result. However, the Council have identified the following areas as being most likely to experience the impact, both short and long-term: Service pressures on adult social care, public health, children's social care and infrastructure and economic support services are likely to sustain beyond the immediate pandemic and Council Tax, Business Rates and income from fees and charges may be affected into the much longer term. The Council has identified increased spend and lost income as a result of Covid-19 of £28 million in 2020/21, excluding any Council Tax and Business Rates losses. These losses have been covered in full by grant in year including the use of £1.2 million of grant received in 2019/20 and held in reserve.

The Council has set aside a further £12.8 million at the end of 2020/21 into the Financial Resilience Reserve for general use in order to be ready to tackle any longer-term financial implications of Covid-19, this brings the balance to £28 million. Excluding reserves set aside due to timing differences between income received and spend/lost income incurred as a result of Covid-19 in the NNDR Volatility Reserve and the Covid Support Grant Reserve, other earmarked reserve balances total £52.9 million.

The Council has undertaken cash flow modelling through to March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum headroom in excess of £60m in 2021/22 and £40m in 2022/23.

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, twelve months from 3 February 2022. 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 £111.4m at 31 March 2021 and the overall limit for total borrowing under the Treasury Management Policy 2021/22 of up to £174m in 2021/22 and £180m in 2022/23 (long term borrowing estimated for 2021/22 is approximately £139m and £147m in 2022/23). 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 2021/22 or 2022/23.

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 2020/21.

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 stipulates that IFRS 15 applies to revenue arising from a contract where the counter party is a service recipient. A service recipient is defined as "a party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration".

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 (including 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 in not material. The current de minimis levels for recognising these assets are:

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

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

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.

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 twelve 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 as at 1 April 2021, being the start of the year 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 generally if detailed notification of redundancy has been issued before 31 March (see Accounting Policy 1.28).

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.
  - Infrastructure – professional estimate
  - Private Debt – professional estimate
  - Bonds – market value
- The change in the net pension's liability is analysed into the following components:
  - Service cost, comprising:
    - Current service cost – the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period. This is allocated in the 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

<u>Financial Liabilities</u>

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.

<u>Financial Assets</u>

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.

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.

<u>Community Infrastructure Levy</u>

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 Mayoral CIL on behalf of the Greater London Authority since 2014. 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.

<u>Recognition</u>

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.

<u>Measurement</u>

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. 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.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the MiRS and posted to the CAA and (for any sale proceeds greater than £10k) the Capital Receipts Reserve (CRR).

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).

Investment Properties have been valued by the Council's valuation contractor and categorised as Level 2 under the fair value hierarchy and recurring using significant observable inputs. The valuations have been based upon the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Typical valuation inputs include:

- Market rental and sales values.
- Yields.
- Void and letting periods.
- Size, configuration, proportions and layout.
- Location, visibility and access.
- Condition.
- Lease covenants.
- Obsolescence.

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

IFRS 16 (Leases) has been deferred until 1 April 2022 therefore leases are still classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

In recognising finance leases, the Council applies the same de minimis levels that it uses to recognise its own assets, as set out in the policy for Long Term Non-Monetary Assets.

<u>The Council as Lessee</u>

<u>Finance Leases</u>

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

Lease payments are apportioned between:

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

<u>Operating Leases</u>

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).

<u>The Council as Lessor</u>

<u>Finance Leases</u>

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 relevant service 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be 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 five years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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.

<u>Impairment</u>

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

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

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

- Operating property assets – 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. The Council does not generally hold voluntary aided 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. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts 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 transferred to the service recipient under 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 four 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 CIES.
- 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 raises a provision for redundancy costs when communication of the decision to involved parties has been made therefore giving a valid expectation that closure of employment will take place. If a detailed notification of redundancy has been issued before

31 March but the amount has not yet been paid, a liability is recognised in the accounts as an accrual.

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 2021/22 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.

Accounting changes that are introduced by the 2021/22 code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations. This change adds clarity to the definition of a business and is not expected to apply to the Council.

- Interest Rate Benchmark Reform: Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments – Recognition and Measurement) and IFRS 7 (Financial Instruments – Disclosures), and Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 (Insurance Contracts), and IFRS 16 (Leases). These changes are due to the Finance Conduct Authority announcing a transition away from the London Inter Bank Rate Offered (LIBOR) to the Sterling Over Night Index Average (SONIA). The change to the standards is not expected to apply to LB Richmond as it applies largely to hedging relationships.

In addition, IFRS 16 (Leases) 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 three councils have control over the company and as such it is judged that the company is still a Joint Venture and consolidated Group Accounts continue to be presented in these Accounts.

AfC has been assessed as a going concern. A loss of £40.2m has been reported in 2020/21 compared to a profit of £2.1m in 2019/20. AfC have reported a trading loss for 2020/21 of £5.0m (£10.2m loss in 2019/20). 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 overall loss and trade loss is due to re-measurement of the pension liability as a result of changes in actuarial financial assumptions.

AfC's Balance Sheet includes a net pension liability of £90.8m (£50.8m in 2019/20). 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 two 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 two 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?CId=173&MId=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 do not work jointly, in which case costs are charged directly to the respective council. Non salary costs have not been charged as part of the SSA as in the main they are clearly attributable to a sovereign council unless relating to staffing in which case the costs follow the same apportionment as the staff they relate to.

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 2021 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 five 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 2021 was £965.8m and a 1% increase in depreciation has an impact of £0.42m.

The World Health Organisation declared the coronavirus outbreak as a global pandemic on 11 March 2020 and the economy and financial markets were severely affected throughout 2020/21 with the UK going into its deepest recession on record in June 2021. 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.

The Council's external valuer; Wilks Head and Eve (WH&E) issued the following commentary in respect of retail and specific trading related assets/sectors such as car parks, "As at the commentary date… we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base our judgements…our commentary of these assets is therefore reported as being subject to material valuation uncertainty as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of any outlined movements less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case".

For the avoidance of doubt this explanatory note, including the material valuation uncertainty declaration, does not mean that the commentary cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the commentary opinion was prepared.

There also 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 14 provides further information on Property, Plant and Equipment and Note 16 on 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 42.

Arrears

At 31 March 2021 the Council had a balance of £18.4m in respect of sundry debtors. Of this debt £5.6m 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 £12.8m.

There is impairment for doubtful debts of £4.2m. This allowance is regarded as adequate considering 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 17% (equating to £0.60m) 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 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 £0.9m in 2020/21 (£1.1m in 2019/20). The calculation is based on the number of outstanding appeals and is adjusted for two things: a) an estimation of the amount of the appeal and b) the likelihood of success. Both estimations have been modelled on historic data and information supplied by the VOA. A 10% variation of either estimation would change the provision by £0.1m.

Interest Rates

The Council has borrowings of £130.4m (all at fixed rates) and investments of £116.4m maturing within one year at 31 March 2021. 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 very gradual increase in interest rates over the next few years. The continuing uncertainty in money markets could result in increases or decreases in interest rates compared to the levels planned for. The high level of cash in the market due to Government paying grants in full and in advance has also created uncertainty around interest rates in the future due to local authority to local authority lending drastically reducing. The financing of the capital programme for 2021/22 includes an estimated £18.3m of new borrowing however, on current estimates, this is unlikely to be needed.

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 2020/21 the following material items were reported as part of the accounts:

- Various grants from Government in relation to the Covid-19 pandemic continued to be received throughout 2020/21. These grants are detailed in the Narrative Report, in the Grant Income Note (Note 35) and if, were paid as part of an agency relationship, are detailed in Note 29.

- Capital receipts totaling £10.5m were received in 2020/21 (£3.3m in 2019/20). £6.5m was also received relating to the sale of the Silver Birches site.

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 3 February 2022. 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 2021, 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 five Service Committees.

The following table provides an analysis of the adjustments for the EFA:

Reclassified 2019/20				2020/21		
Net Committee Expenditure	**Adjustments**	**Net CIES Expenditure**		**Net Committee Expenditure**	**Adjustments**	**Net CIES Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
51,522	2,799	54,321	Adults, Health and Housing	51,877	3,367	55,244
40,722	11,569	52,291	Education & Children's Services	33,852	8,211	42,063
25,545	(1,273)	24,272	Environment	33,161	(7,708)	25,453
(4,357)	5,367	1,010	Transport and Air Quality	(936)	7,118	6,182
31,619	192	31,811	Finance, Policy and Resources	13,229	8,369	21,598
(14,637)	14,637	0	Central Items	3,648	(3,648)	0
130,414	**33,291**	**163,705**	**Net Cost of Services**	**134,831**	**15,709**	**150,540**
(131,211)	(21,438)	(152,649)	Other Income and Expenditure	(136,625)	(29,012)	(165,637)
(797)	**11,853**	**11,056**	**Surplus or Deficit on Provision of Services**	**(1,794)**	**(13,303)**	**(15,097)**
(47,490)			Opening Combined General Fund Balance	(61,716)		
(797)			Plus / less Surplus or Deficit on the General Fund	(1,794)		
(13,429)			Plus / less movements to or from earmarked reserves	(53,134)		
(61,716)			**Total Combined General Fund Balance**	**(116,644)**		

	2020/21			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adults, Health and Housing	1,338	1,316	713	3,367
Education and Children's Services	2,476	3,895	1,840	8,211
Environment	2,523	1,211	(11,442)	(7,708)
Transport and Air Quality	6,987	347	(216)	7,118
Finance, Policy and Resources	647	(397)	8,119	8,369
Central Items	0	0	(3,648)	(3,648)
Net Cost of Services	**13,971**	**6,372**	**(4,634)**	**15,709**
Other Income and Expenditure	0	4,738	(33,750)	(29,012)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	**13,971**	**11,110**	**(38,384)**	**(13,303)**

	Reclassified 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	4,795	2,011	(8,079)	(1,273)
Transport and Air Quality	5,001	552	(186)	5,367
Finance, Policy and Resources	990	(877)	79	192
Central Items	0	0	14,637	14,637
Net Cost of Services	**21,674**	**7,381**	**4,236**	**33,291**
Other Income and Expenditure	0	4,783	(26,221)	(21,438)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	**21,674**	**12,164**	**(21,985)**	**11,853**

Note 8 - Expenditure and Income Analysed by Nature

Reclassified 2019/20 £000	Nature of Expenditure or Income	2020/21 £000
(74,106)	Fees, charges and other service income	(56,064)
421	Interest and investment income	(3,913)
(156,135)	Income from local taxation	(161,984)
(229,619)	Government grants and contributions	(268,584)
141,945	Employee benefits expenses	146,626
682	Support service recharge expenditure	661
290,906	Other service expenses	291,337
18,903	Depreciation, amortisation and impairment	12,515
10,513	Interest payments	10,217
8,728	Precepts and levies	8,369
4	Payments to Housing Capital Receipts Pool	8
(1,738)	Gain or loss on disposal of non-current assets	5,516
552	Other expenditure	199
11,056	**Surplus or Deficit for Year**	**(15,097)**

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 expenditure.

2020/21	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)	(11,110)			11,110
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	108			(108)
Council tax and NNDR (transfers to or from the Collection Fund)	(18,658)			18,658
Holiday pay (transferred to the Accumulated Absences reserve)	(1,941)			1,941
Transfer of Schools Budget surplus to DSG Unusable Reserve	3,648			(3,648)
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)	(18,185)		(15,798)	33,983
Total Adjustments to Revenue Resources	**(46,138)**	**0**	**(15,798)**	**61,936**
Adjustments between Revenue and Capital Resources:				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	10,281	(10,281)		0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(8)	8		0
Home Loans Unit Capital Distribution	(199)	199		0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,853			(5,853)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,216			(5,216)
Total Adjustments between Revenue and Capital Resources	**21,143**	**(10,074)**	**0**	**(11,069)**
Adjustments to Capital Resources:				
Use of the Capital Receipts Reserve to finance capital expenditure		5,403		(5,403)
Application of capital grants to finance capital expenditure			9,932	(9,932)
Cash payments in relation to deferred capital receipts		(288)		288
Total Adjustments to Capital Resources	**0**	**5,115**	**9,932**	**(15,047)**
Total Adjustments	**(24,995)**	**(4,959)**	**(5,866)**	**35,820**

2019/20	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**

Note 10 - Transfers to/from Earmarked Reserves

	Balance at 1 April 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 March 2021 £000
General Fund Reserves:							
Financial Resilience Reserve	(6,590)	(8,651)	0	**(15,241)**	(12,768)	0	**(28,009)**
Invest to Save Reserve	(4,813)	(2,127)	152	**(6,788)**	0	207	**(6,581)**
Climate Change Reserve	(576)	0	82	**(494)**	(2,558)	0	**(3,052)**
Repairs and Renewals Fund Reserve	(3,418)	0	353	**(3,065)**	(212)	450	**(2,827)**
All in One Uplift Projects Reserve	(186)	0	0	**(186)**	(2,000)	0	**(2,186)**
Waste and Recycling Reserve	(1,616)	0	0	**(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)**
South London Partnership Reserve	(460)	(15)	0	**(475)**	(48)	0	**(523)**
Council Tax Freeze Reserve	(1,486)	0	800	**(686)**	0	400	**(286)**
Other minor earmarked reserves under £500k	(5,197)	(584)	870	**(4,911)**	(141)	856	**(4,196)**
Subtotal	**(26,688)**	**(11,377)**	**2,257**	**(35,808)**	**(17,727)**	**1,913**	**(51,622)**
NNDR Volatility Reserve	0	(4,673)	0	**(4,673)**	(17,418)	0	**(22,091)**
Council Tax Volatility Reserve	0	0	0	**0**	(957)	0	**(957)**
COVID Support Grant Reserve	0	(2,388)	0	**(2,388)**	0	1,248	**(1,140)**
Schools Balances	(9,012)	0	960	**(8,052)**	(688)	0	**(8,740)**
Dedicated Schools Grant Reserve	10,954	0	3,881	**14,835**	(14,835)	0	**0**
Section 106 Revenue Contributions Reserve	(1,646)	(2,082)	52	**(3,676)**	(4,409)	159	**(7,926)**
PFI Reserve (Education)	(5,871)	(607)	0	**(6,478)**	(619)	307	**(6,790)**
PFI Reserve (Social Services)	(3,470)	(29)	631	**(2,868)**	(2)	173	**(2,697)**
General Insurance Reserve	(1,802)	(54)	0	**(1,856)**	(279)	0	**(2,135)**
Total General Fund	**(37,535)**	**(21,210)**	**7,781**	**(50,964)**	**(56,934)**	**3,800**	**(104,098)**

Note 11 - Other Operating Expenditure

2019/20 £000		2020/21 £000
8,729	Levies	8,369
4	Payments to the Government Housing Capital Receipts Pool	8
(1,738)	Gains/losses on the Disposal of Non-Current Assets	5,517
550	HLU Capital Distribution	199
7,545	**Total Other Operating Expenditure**	**14,093**

Note 12 - Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
5,730	Interest payable and similar charges	5,479
4,783	Net interest on the net defined benefit liability (asset)	4,738
(2,553)	Interest receivable and similar income	(2,482)
2,974	Income and expenditure in relation to investment properties and changes in their fair value	(1,431)
10,934	**Total**	**6,304**

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:

Reclassified 2019/20 £000		2020/21 £000
(131,785)	Council tax income	(137,786)
(24,350)	Non-domestic rates income and expenditure	(24,198)
(3,655)	Non-ringfenced government grants and contributions	(12,491)
(11,338)	Capital grants and contributions	(11,559)
(171,128)	**Total**	**(186,034)**

Note 14 - Property, Plant and Equipment

Movements in Property, Plant and Equipment (PP&E) 2020/21 are as follows:

Movements to 31 March 2021	**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 31 March 2020	742,767	8,909	117,075	20,601	11,702	2,153	**903,207**
Additions	5,511	589	6,056	14	143	1,654	**13,967**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	113,047	0	0	0	74	0	**113,121**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,085)	0	0	0	(137)	0	**(1,222)**
Derecognition – disposals	(15,156)	0	0	0	(653)	0	**(15,809)**
Reclassifications and transfer	(358)	0	0	0	0	0	**(358)**
at 31 March 2021	**844,726**	**9,498**	**123,131**	**20,615**	**11,129**	**3,807**	**1,012,906**
Accumulated Depreciation and Impairment							
at 31 March 2020	61	(5,148)	(30,178)	(101)	0	0	**(35,366)**
Depreciation charge	(6,017)	(801)	(4,904)	0	(3)	0	**(11,725)**
Depreciation written out to the Revaluation Reserve	4,027	0	0	0	0	0	**4,027**
Depreciation written out to the Surplus/Deficit on the Provision of Services	462	0	0	0	2	0	**464**
Derecognition – disposals	11	0	0	0	0	0	**11**
at 31 March 2021	**(1,456)**	**(5,949)**	**(35,082)**	**(101)**	**(1)**	**0**	**(42,589)**
Net Book Value at 31 March 2021	**843,270**	**3,549**	**88,049**	**20,514**	**11,128**	**3,807**	**970,317**

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**
Net book value at 31 March 2019	**701,284**	**3,932**	**86,209**	**20,485**	**17,463**	**3,456**	**832,829**

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 2021, 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	2020/21 £000
Collis KS1 rebuild - four classrooms and nursery expansion	1,650
Busen reprovision	1,963
Total	**3,613**

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 five 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 2020/21 WH&E was asked to assess all land and building assets subject to a revaluation, as a response to changing market conditions (for example, the impact of the UK leaving the European Union and the Covid-19 pandemic). These valuations were dated 31 January 2021. WH&E issued a supplementary review confirming there had been no trigger events identified related to the portfolio. For specialised assets valued using the depreciated replacement cost methodology, the review concluded that it may be relevant for an allowance be given for the interim valuation date (31 January 2021) and the closing book date (31 March 2021), as movements are on the borders of valuation parameters (plus 1%). For non-specialised assets valued using either the existing use value or fair value methodology, it was concluded that there had been no marked changes to rental values or yields between the valuation date and 31 March.

The following commentary was provided relating to current market conditions:-

“We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. As at the time of preparing this commentary the outbreak of Covid-19… has and continues to impact many aspects of daily life and the global economy. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the commentary date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value."

"Accordingly, and for the avoidance of doubt, our commentary is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except in respect of retail and specific trading related assets/sectors such as car parks. Consequently, in respect of any outlined movements less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case."

For the avoidance of doubt this explanatory note, including the material valuation uncertainty declaration, does not mean that the commentary cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the commentary opinion was prepared".

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:

2020/21	**Art Collection**	**Land and Buildings**	**Civic Regalia**	**Total**
	£000	**£000**	**£000**	**£000**
Opening Balance	2,761	182	606	3,549
Revaluations	0	11	0	11
Depreciation	0	(4)	0	(4)
Closing Balance	**2,761**	**189**	**606**	**3,556**

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**

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 heritage 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 2020 £000	Investment Property Income and Expenditure	31 March 2021 £000
(1,558)	Rental income from investment property	(1,433)
(1,558)	**Net (gain)/loss**	**(1,433)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The 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 2020 Non-Current £000	Investment Properties Movements in Year	31 March 2021 Non-Current £000
18,922	Opening Balance	14,391
(4,531)	Net gains/losses from fair value adjustments	(2)
0	Transfers to / from Property Plant & Equipment	358
14,391	**Balance at the end of the year**	**14,747**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. The Council's valuation experts work closely with finance officers reporting directly to the chief finance officer on a regular basis regarding all valuation matters.

In respect of retail related assets, we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our commentary of these assets is therefore reported as being subject to material valuation uncertainty as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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 - Financial Instruments

	Non-Current Financial Assets						
	Investments		Debtors		PFI debtor (VA Schools)		Total
	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 21
	£000	£000	£000	£000	£000	£000	£000
Amortised cost	750	0	16,500	17,088	5,999	5,692	**22,780**
Total financial assets	**750**	**0**	**16,500**	**17,088**	**5,999**	**5,692**	**22,780**

	Current Financial Assets						
	Investments		Debtors		PFI debtor (VA Schools)		Total
	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 21
	£000	£000	£000	£000	£000	£000	£000
Amortised cost	55,998	44,432	50,452	36,278	282	589	**81,299**
Total financial assets	**55,998**	**44,432**	**50,452**	**36,278**	**282**	**589**	**81,299**

	Non-Current Financial Liabilities						
	Borrowings		Creditors		Other long-term liabilities		Total
	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 21
	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(127,474)	(120,259)	0	0	0	0	(120,259)
Other	0	0	(307)	(311)	(21,849)	(20,120)	(20,431)
Total financial liabilities	**(127,474)**	**(120,259)**	**(307)**	**(311)**	**(21,849)**	**(20,120)**	**(140,690)**

	Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 Mar 20	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 21
	£000	£000	£000	£000	£000
Amortised cost	(7,318)	(11,002)	(36,838)	(33,083)	(44,085)
Other	0	0	(1,407)	(1,530)	(1,530)
Total financial liabilities	**(7,318)**	**(11,002)**	**(38,245)**	**(34,613)**	**(45,615)**

	Income, Expense, Gains and Losses	
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	2019/20	2020/21
	£000	£000
Interest Income	(2,553)	(2,482)
Interest Expense	5,730	5,479
	3,177	**2,997**

Note 18 - Debtors

31 March 2020 £000		31 March 2021 £000
23,858	Trade Receivables	26,694
2,089	Prepayments	3,251
6,495	Other Local Authorities	25,174
11,104	Other Entities and Individuals	14,130
4,218	NHS Bodies	5,427
17,498	Central Government Bodies	31,950
65,262	**Total**	**106,626**

The figures shown in both Central Government Bodies and Other Local Authorities include the Ministry for Housing, Communities and Local Government and the Greater London Authority's share of the Collection fund deficit (together equal to £43m).

Note 19 - Debtors for Local Taxation

31 March 2020 £000		31 March 2021 £000
185	Less than three months	271
555	Three to six months	814
1,111	Six months to one year	1,628
4,865	More than one year	6,678
6,716	**Total**	**9,391**

Note 20 - Cash and Cash Equivalents

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

31 March 2020 £000		31 March 2021 £000
(1,350)	Cash and Bank balances	7,342
3,000	Short Term Deposits	65,000
1,650	**Total Cash and Cash Equivalents**	**72,342**

Note 21 - Creditors

31 March 2020		31 March 2021
£000		**£000**
(17,884)	Trade payables	(7,497)
(8,004)	Central Government Bodies	(39,252)
(1,730)	Other Local Authorities	(16,320)
(125)	NHS Bodies	(800)
(31,516)	Other Entities and Individuals	(33,573)
(59,259)	**Total Creditors**	**(97,442)**

Note 22 - Provisions

Short-Term Provisions

2020/21	**Central Insurance Fund**	**Business Rates Appeals**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**
Opening Balance	(94)	(1,087)	(618)	(1,799)
Increase in provision during year	(67)	(999)	0	(1,066)
Utilised during year	0	0	4	4
Unused amounts reversed	94	0	35	129
Closing Balance	**(67)**	**(2,086)**	**(579)**	**(2,732)**

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
Unused amounts reversed	0	0	0	0
Closing Balance	**(94)**	**(1,087)**	**(618)**	**(1,799)**

Long-Term Provisions

2020/21	**Central Insurance Fund**	**Total**
	£000	**£000**
Opening Balance	(581)	(581)
Increase in provision during year	(416)	(416)
Unused amounts reversed	581	581
Closing Balance	**(416)**	**(416)**

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

Total Provisions

2019/20	Total Provisions	2020/21
£000		**£000**
(3,337)	Opening Balance	(2,380)
(258)	Increase in provision during year	(1,482)
1,215	Utilised during year	4
0	Unused Amounts Reversed	710
(2,380)	**Closing Balance**	**(3,148)**

Insurance Fund

In common with most local authorities, the Council operates an insurance fund as a means of self-insurance. The fund is actuarially reviewed by an independent third-party organisation periodically, to ensure that it is maintained at an appropriate level. A sufficient insurance fund is held as a reserve/ provision.

This part of the fund relates to property insurance 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 any claims below the self-insured excess of £50k. The Council has an aggregate Stop Loss Limit such that no more than an annual aggregate figure which varies year by year will be paid by the fund for material damage Insurance claims to property. The other part of the fund relates to liability insurance 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 any claims below the current self-insured excess of £0.531m (this figure varies slightly, annually, as it is index linked). A separate aggregate stop loss limit (which varies annually) protects this part of the Fund.

Business Rates Appeals

Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The Council’s share of the total provision made as at 31 March 2021 is £2.1m compared to £1.1m for 2019/20. This has been calculated based on appeals outstanding at the 31 March adjusted for historic trends.

Note 23 - Usable Reserves

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

Capital Receipts Reserve

31 March 2020 £000		31 March 2021 £000
(3,616)	Balance 1 April	(4,752)
(3,024)	Capital Receipts in year	(10,281)
(247)	Deferred Receipts realised	(288)
4	Capital Receipts Pooled	8
550	Home Loans Unit - Distribution of Capital Receipts	199
1,581	Capital Receipts used for financing	5,403
(4,752)	**Balance 31 March**	**(9,711)**

Capital Grants Unapplied

31 March 2020 £000		31 March 2021 £000
(15,691)	Balance 1 April	(21,059)
(15,505)	Capital grants recognised in year	(15,798)
10,137	Capital grants and contributions applied	9,932
(21,059)	**Balance 31 March**	**(26,925)**

Note 24 - Unusable Reserves

31 March 2020 £000		31 March 2021 £000
(427,290)	Revaluation Reserve	(528,500)
(275,509)	Capital Adjustment Account	(283,880)
363	Financial Instruments Adjustment Account	255
208,563	Pension Reserve	257,327
(15,956)	Deferred Capital Receipts Reserve	(15,667)
729	Collection Fund Adjustment Account	19,388
0	Dedicated Schools Grant Adjustment Account	11,187
3,205	Accumulated Absences Account	5,146
(505,895)	**Total**	**(534,744)**

Revaluation Reserve

31 March 2020 £000		31 March 2021 £000
(386,157)	**Balance 1 April**	(427,290)
(55,264)	Upward revaluation of assets	(134,571)
11,225	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	17,413
(44,039)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(117,158)**
2,502	Difference between fair value depreciation and historical cost depreciation	2,970
404	Accumulated gains on assets sold or scrapped	12,978
2,906	**Amount written off to the Capital Adjustment Account**	**15,948**
(427,290)	**Balance 31 March**	**(528,500)**

Capital Adjustment Account

31 March 2020 £000		31 March 2021 £000
(286,871)	**Balance 1 April**	(275,509)
10,837	Charges for depreciation and impairment of non-current assets	11,729
7,974	Revaluation losses on non-current assets	757
91	Amortisation of intangible assets	29
6,938	Revenue expenditure funded from capital under statute	5,695
1,286	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	15,798
27,126	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	34,008
(2,906)	Adjusting Amounts written out of the Revaluation Reserve	(15,948)
24,220	**Net written out amount of the cost of non-current assets consumed in the year**	18,060
(1,581)	Use of Capital Receipts Reserve to finance new capital expenditure	(5,403)
(10,137)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(9,932)
(5,146)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,854)
(497)	Capital expenditure charged against the General Fund and HRA balances	(5,216)
(17,361)	**Capital financing applied in year:**	(26,405)
4,531	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2
(28)	Other movements	(28)
(275,509)	**Balance 31 March**	**(283,880)**

Financial Instruments Adjustment Account

31 March 2020 £000		31 March 2021 £000
471	**Balance 1 April**	**363**
(108)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(108)
363	**Balance 31 March**	**255**

Pension Reserve

31 March 2020 £000		31 March 2021 £000
205,755	**Opening Balance**	**208,563**
(9,466)	Remeasurements of the net defined benefit (liability)/asset	37,654
27,555	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	25,287
(15,281)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,177)
208,563	**Balance 31 March**	**257,327**

Deferred Capital Receipts Reserve

31 March 2020 £000		31 March 2021 £000
(16,204)	Balance 1 April	(15,956)
248	Transfer to the Capital Receipts Reserve upon receipt of cash	289
(15,956)	**Balance 31 March**	**(15,667)**

Collection Fund Adjustment Account

31 March 2020 £000		31 March 2021 £000
(4,600)	Balance 1 April	729
5,329	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	18,659
729	**Balance 31 March**	**19,388**

Accumulated Absences Account

31 March 2020 £000		31 March 2021 £000
3,430	**Balance 1 April**	3,205
(3,430)	Settlement or cancellation of accrual made at the end of the preceding year	(3,205)
3,205	Amounts accrued at the end of the current year	5,146
(225)	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	1,941
3,205	**Balance 31 March**	**5,146**

Dedicated Schools Grant Adjustment Account

31 March 2020 £000		31 March 2021 £000
0	Balance 1 April	0
0	Opening Balance Adjustment	14,835
0	Revised Opening Balance	**14,835**
0	Increase / (Reduction) of Dedicated Schools Grant Deficit	(3,648)
0	**Balance 31 March**	**11,187**

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2020 £000		31 March 2021 £000
(2,529)	Interest received	(2,797)
5,692	Interest paid	5,527
3,163	**Total**	**2,730**

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

31 March 2020 £000		31 March 2021 £000
(10,837)	Depreciation	(11,729)
(7,974)	Impairment and downward valuations	(757)
(91)	Amortisation	(29)
(1,119)	(Increase)/decrease in creditors	(64,078)
(4,063)	Increase/(decrease) in debtors	(3,940)
8	Increase/(decrease) in inventories	(17)
(12,274)	Movement in pension liability	(11,110)
(1,286)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(15,798)
(3,575)	Other non-cash movements charged to the surplus or deficit on provision of services	(770)
(41,211)	**Total**	**(108,228)**

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

31 March 2020 £000		31 March 2021 £000
3,024	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,282
15,505	Any other items for which the cash effects are investing or financing cash flows	15,797
18,529	**Total**	**26,079**

Note 26 - Cash Flow from Investing Activities

31 March 2020 £000		31 March 2021 £000
10,899	Purchase of property, plant and equipment, investment property and intangible assets	14,279
90,750	Purchase of short-term and long-term investments	338,700
0	Other payments for investing activities	600
(3,753)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,570)
(67,029)	Proceeds from short-term and long-term investments	(350,700)
(14,528)	Other receipts from investing activities	(10,353)
16,339	**Net cash flows from investing activities**	**(18,044)**

Note 27 - Cash Flow from Financing Activities

31 March 2020 £000		31 March 2021 £000
(15,820)	Cash receipts of short-term and long-term borrowing	(1,224)
1,216	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,325
5,672	Repayments of short-term and long-term borrowing	4,708
7,603	Other payments for financing activities	39,789
(1,329)	**Net cash flows from financing activities**	**44,598**

Note 28 – Reconciliation of Liabilities from Financing Activities

	31 March 2020 £000	Financing cash flows £000	Other non-cash changes £000	31 March 2021 £000
Long-term borrowing	(127,474)	0	7,215	(120,259)
Short-term borrowing	(7,319)	3,484	(7,168)	(11,003)
Lease Liabilities	(4,046)	241	0	(3,805)
On balance sheet PFI Liabilities	(12,929)	1,084	0	(11,845)
Total liabilities from financing activities	**(151,768)**	**4,809**	**47**	**(146,912)**

Note 29 - Agency Services

Covid-19 Grants

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. Where councils are receiving the funding but then paying businesses or organisations that funding on behalf of Government and acting as an intermediary this forms 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.

The most material grants awarded to LB Richmond and that are deemed to be agency relationships are detailed below:

- The Ministry of Housing, Communities and Local Government provided funding to assist taxpayers in the form of business support grants. This was specifically grants of up to £25k for eligible retail, hospitality and leisure outlets and £10k for eligible small businesses. £41.6m was received on 1 April 2020, however the Council began to pay the grants out to businesses in advance of the cash being received from the Government (i.e in the 2019/20 year). In 20/21 the remaining £30.9m of the grant was paid out to eligible outlets and businesses.

- The Department for Business, Energy and Industrial Strategy provided the Local Restrictions Support to support businesses required to close due to Covid-19. The grant received and paid out in 2020/21 totalled £15.7m.
- The Department of Health and Social Care paid the Infection Control Fund for adult social care which provided funding to care homes and Quality Care Commission regulated community care providers on a per bed and per user basis. £2.2m has been paid to these providers in 2020/21.

Note 30 - Pooled Budgets

The Council has three pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2021. 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.

2019/20	**Better Care Fund**	**2020/21**
£000		**£000**
(6,841)	Authority Funding	(7,165)
(5,743)	Partner Funding	(6,050)
(12,584)	Total Pooled Funding	(13,215)
6,841	Authority Expenditure	7,165
5,743	Partner Expenditure	6,050
12,584	Expenditure	13,215
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 £0.2m surplus in 2020/21.

2019/20	Rapid Response Service	2020/21
£000		**£000**
(1,698)	Authority Funding	(1,706)
(1,281)	Partner Funding	(1,299)
(2,979)	Total Pooled Funding	(3,005)
1,082	Authority Expenditure	1,082
1,823	Partner Expenditure	1,724
2,905	Expenditure	2,806
(74)	**Net Surplus/Deficit on the Pooled Budget**	**(199)**
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. The Council is responsible for £151k of the deficit.

2019/20	Joint Integrated Community Equipment Service	2020/21
£000		**£000**
(563)	Authority Funding	(563)
(563)	Partner Funding	(563)
(1,126)	Total Pooled Funding	(1,126)
612	Authority Expenditure	714
612	Partner Expenditure	714
1,224	Expenditure	1,428
98	**Net Surplus/Deficit on the Pooled Budget**	**302**
49	**Authority Share of the Net Surplus / Deficit**	**151**

Note 31 - Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to Members, and to the maximum amounts payable in respect of certain allowances. In accordance with the Local Government Act 2000, the Council established a Members' Allowances Scheme. The scheme is a public document and sets out 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:

2019/20 £000		2020/21 £000
683	Allowances	680
683	**Total Members' Allowances**	680

Note 32 - 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.

2020/21		**Salary & Other Payments**	**Employers Pension Contributions**	**Total**
	Notes	**£**	**£**	**£**
Former Chief Executive - P. Martin	*1*	103,854	18,694	**122,548**
Chief Executive – M. Maidment	*2*	82,184	14,793	**96,978**
Director of Children's Services - I. Dodds	*3*	145,000	35,380	**180,380**
Director of Housing and Regeneration - B. Reilly	*4*	75,709	13,628	**89,337**
Director of Environment and Community Services - P. Chadwick	*5*	67,338	12,121	**79,459**
Director of Adult Social Care and Public Health - E. Bruce	*6*	75,037	0	**75,037**
Deputy Director of Environment and Community Services – K. Power	*7*	70,157	12,860	**83,017**
Director of Resources - F. Merry	*8*	56,267	10,128	**66,395**
Assistant Chief Executive (Policy and Performance)	*9*	52,049	9,369	**61,417**
		727,596	**126,972**	**854,568**

2019/20		**Salary & Other Payments**	**Employers Pension Contribution**	**Total**
	Notes	**£**	**£**	**£**
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 and Regeneration - B. Reilly	*4*	78,298	14,094	**92,392**
Director of Environment and Community Services - P. Chadwick	*5*	67,752	12,195	**79,947**
Director of Adult Social Care and Public Health - E. Bruce	*6*	78,089	0	**78,089**
Deputy Director of Environment and Community Services – K. Power	*7*	66,113	11,669	**77,782**
Assistant Chief Executive (Policy and Performance)	*9*	51,828	9,329	**61,157**
		548,529	**84,447**	**632,976**

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

Note 1 - The former Chief Executive's full year remuneration across the SSA in 2020/21 was £280,686 and the employers pension contributions were £50,523.

Note 2 – The Chief Executive (and head of the paid service) - total remuneration across the SSA in 2020/21 was £222,120 and the employers pension contributions were £39,982.

Note 3 - The Director of Children's Services 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 2020/21 was £204,619 and the employers pension contributions were £36,831.

Note 5 - Director of Environment and Community Services - total remuneration across the SSA in 2020/21 was £181,995 and the employers pension contributions were £32,759

Note 6 – Director of Adult Social Care and Public Health – total remuneration across the SSA in 2020/21 was £202,804.

Note 7 - Deputy Director of Environment and Community Services - total remuneration across the SSA in 2020/21 was £189,615 and the employers pension contributions were £34,756.

Note 8 – Director of Resources - total remuneration across the SSA in 2020/21 was £152,074 and the employer pension contributions were £27,373.

Note 9 - Assistant Chief Executive (Policy and Performance) - total remuneration across the SSA in 2020/21 was £140,672 and the employer pension contributions were £25,321.

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

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.

	Number of Employees	
	2019/20	**2020/21**
£50,001 to £55,000	51	74
£55,001 to £60,000	23	30
£60,001 to £65,000	23	23
£65,001 to £70,000	16	20
£70,001 to £75,000	14	12
£75,001 to £80,000	8	15
£80,001 to £85,000	6	5
£85,001 to £90,000	6	5
£90,001 to £95,000	1	3
£95,001 to £100,000	1	0
£100,001 to £105,000	2	3
£105,001 to £110,000	0	1
£110,001 to £115,000	2	1
£120,001 to £125,000	0	1
£140,001 to £145,000	0	1
Total	**153**	**194**

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 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 (£)	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
£0-£20,000	18	3	7	4	25	7	169,551	29,694
£20,001 - £40,000	6	0	0	1	6	1	184,897	21,300
£40,001 - £60,000	1	0	0	0	1	0	52,110	0
Total	**25**	**3**	**7**	**5**	**32**	**8**	**406,558**	**50,994**
Add: Amounts provided for in CIES not included in bandings							24,666	24,168
Total cost included in CIES							**431,224**	**75,162**

The total cost of £75k for 2020/21 (£0.4m for 2019/20) 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 £24k which relates to the actual cost for exit packages that were higher than the estimated provision.

Note 33 - External Audit Costs

The Council has incurred the following costs in 2020/21:

2019/20 £000		**2020/21 £000**
71	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	71
24	Fees payable in respect of other services provided by external auditors during the year	14
95	**Total**	**85**

The Council's auditors Ernst & Young LLP have submitted a request to Public Sector Audit Appointments for authority to increase the fees charged during 2020/21. This request has yet to be settled and any increase in fees is therefore excluded from the figures above.

Note 34 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance and Early Years (England) (No 2) Regulations 2018. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

The borough is also 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.

From 2020/21 there is new requirement to show the deficit balance as an un-usable reserve (previously shown as a negative earmarked reserve).

Details of the deployment of DSG receivable are:

DSG Receivable for 2020/21	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			(165,906)
Academy figure recouped for year			52,009
Total DSG after academy recoupment			**(113,897)**
Plus: Brought forward from previous year			14,835
Agreed initial budgeted distribution in 2020/21	(11,332)	(87,731)	**(99,062)**
In year adjustments	(6,000)	(91)	(6,091)
Final budget distribution for year			**(105,153)**
Less: Actual central expenditure	29,839		29,839
Less: Actual ISB deployed to schools		86,501	86,501
Carry forward to 2021/22	**29,839**	**86,501**	**11,187**

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**

Note 35 - Grant Income

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

Taxation & Non-Specific Grants

Reclassified 2019/20 £000		2020/21 £000
0	Covid-19 Sales, Fees and Charges Support Grant	(8,235)
(3,872)	Basic Need Grant	(952)
0	Adult Social Care Grant	(3,469)
(2,795)	Community Infrastructure Levy Contributions	(4,994)
(1,697)	Disabled Facilities Grant	(847)
(1,115)	Schools Conditions Allocation Grant	(1,548)
(71)	Section 106 Capital Contributions	(291)
(1,512)	New Homes Bonus	(787)
(2,143)	Other Non-Ring-Fenced Grants and Contributions	0
(1,701)	Other Capital Grants under £500k	(1,492)
(87)	Other Capital Contributions under £500k	(370)
0	Green Homes Grant	(1,065)
(14,993)	**Total**	**(24,050)**

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

Grants charged to Net Cost of Services

Reclassified 2019/20 £000		2020/21 £000
(108,701)	Dedicated Schools Grant	(119,701)
(56,524)	Housing Benefit Grant	(52,293)
(9,031)	Public Health Grant	(9,378)
(6,180)	Better Care Fund Grant	(7,165)
(4,225)	Covid-19 Funding	(13,244)
(3,015)	Pupil Premium Grant	(3,030)
(2,537)	Free School Meals Grant	(2,483)
(1,965)	Transport for London Grants	(1,762)
(1,814)	Partners in Practice Grant	(635)
(1,743)	Teachers Pension Employer Contributions Grant	(3,080)
(1,698)	Asylums Seeker Grant	(1,421)
(1,342)	Schools' Private Finance Initiative Grant	(1,342)
(1,258)	Other Health Authority Contributions	(5,590)
(1,129)	Adult Social Care Support Grant	0
(1,049)	Place Funding Grant	(1,351)
(979)	Flexible Homelessness Support Grant	(979)
(889)	Teachers Pay Grant	(1,057)
(852)	Private Finance Initiative Grant	(852)
(775)	Schools Sport and Physical Education Grant	(773)
(661)	Winter Funding for Adult Social Care Grant	0
(380)	Schools' Private Finance Initiative Contributions	(339)
0	Disabled Facilities Grant	(1,266)
0	Covid-19 Contain Outbreak Management Funding	(3,006)
0	Covid-19 Local Authority Discretionary Grant	(2,110)
0	Covid-19 Hardship Funding	(1,119)
(56)	Section 106 Receipts	(4,335)
(6,822)	Other Grants under £1m	(5,673)
(980)	Other Contributions under £1m	(541)
(22)	Donations	(9)
(214,627)	**Total**	**(244,534)**

* In 2020/21 Adult Social Care grant is credited to Taxation and Non-Specific Income.

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 2020 £000		31 March 2021 £000
(2,489)	Basic Need Grant	(1,744)
(2,489)	**Total**	**(1,744)**

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2020 £000		31 March 2021 £000
(1,369)	Section 106 Contributions	(284)
(732)	S106 Affordable Housing	0
0	Covid-19 Business Grants	(23,116)
(530)	Care Act Grant	(530)
(91)	Partners in Practice Innovation Programme Grant	(402)
(766)	Other Grants under £500k	(1,539)
0	Covid-19 Contain Outbreak Management Fund	(1,774)
0	Covid-19 Test and Trace Grant	(571)
(3,488)	**Total**	**(28,216)**

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

31 March 2020 £000		31 March 2021 £000
(836)	Devolved Formula Capital Grant	(713)
(8)	Section 106 Contributions	(93)
(40)	Other Grants under £500k	(276)
(63)	Other Contributions under £500k	0
(4,502)	Donated Assets	(4,502)
(5,449)	**Total**	**(5,584)**

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

31 March 2020 £000		31 March 2021 £000
0	Section 106 Contributions	(1,636)
0	**Total**	**(1,636)**

Note 36 - Related Parties

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

This disclosure note has been prepared based on declarations made in respect of related party transactions by the Members of LB Richmond and Senior Officers employed by 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:

<u>Central Government</u>

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant part of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of grants received from Government are listed in Note 35 as well as liabilities outstanding at the year-end in relation to those grants.

<u>West London Waste Authority (WLWA)</u>

WLWA is a waste disposal authority composed of six London Borough councils: Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond. Councillor J. Neden-Watts is a Council appointed representative. £0.9m was received from WLWA in principal and interest payments and there were expenditure transactions of £7.1m relating to the WLWA contract.

<u>SPEAR</u>

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 2020/21, the Council made payments of £1.2m to SPEAR for grants and contributions to rough-sleeping initiatives. Minimal income for services was received during the year.

<u>South West Middlesex Crematorium Board (SWMCB)</u>

The Board is composed of Councillors of five councils: Ealing, Hillingdon, Hounslow, Richmond, and Spelthorne. Councillor S. Nicholson is a member on the Board. Mr M. Maidment (from March 2021 the incoming Chief Executive) is Treasurer to the Board. There was £0.4m worth of expenditure transactions relating to VAT reimbursements in the year. £67k of income was received from SWMCB during the year.

<u>Twickenham Business Improvement District and Richmond Business Improvement District</u>

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 £0.07m in BID levy to the Twickenham BID. Minimal income for services was received during the year.

The council paid £0.5m 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 £0.3m 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 31. During the year, works and services to the value of £4.3m (£2.8m in 2019/20) 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 37 - Capital Expenditure and Capital Financing

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

31 March 2020 £000		31 March 2021 £000
174,027	Opening Capital Financing Requirement	175,542
	Capital Investment:	
11,938	Property Plant and Equipment	13,967
0	Other Capital Loans	600
6,938	Revenue Expenditure Funded from Capital Under Statute	5,695
18,876	**Total Capital Spending**	**20,262**
	Sources of Finance:	
(1,581)	Capital receipts	(5,403)
(10,137)	Government Grants and other contributions	(9,932)
	Sums set aside from revenue:	
(497)	- Direct revenue contributions	(5,216)
(5,146)	- Minimum revenue provision	(5,854)
(17,361)	**Total Sources of Finance**	**(26,405)**
175,542	**Closing Capital Financing Requirement**	**169,399**

Explanation of movements in year

31 March 2020 £000		31 March 2021 £000
6,662	Increase in underlying need to borrow	(289)
(5,146)	Other movements	(5,854)
1,516	**Increase/(decrease) in Capital Financing Requirement**	**(6,143)**

Note 38 - 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 2020 £000		31 March 2021 £000
4,570	Other Land and Buildings	4,886
199	Vehicles, Plant, Furniture, Equipment and Other	100
4,769	**Total**	**4,986**

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 2020 £000		31 March 2021 £000
2,890	Not later than one year	3,624
3,291	Later than one year and not later than five years	3,194
8,203	Later than five years	7,471
14,384	**Total**	**14,289**

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

31 March 2020 £000		31 March 2021 £000
3,536	Minimum lease payments	4,088
420	Contingent rents	420
(371)	Less: Sublease payments receivable	(374)
3,585	**Total**	**4,134**

Authority as Lessor - Finance Leases

The gross investment is made up of the following amounts:

31 March 2020 £000		31 March 2021 £000
1,620	Current	1,620
9,979	Unearned finance income	9,858
11,599	**Gross investment in the lease**	**11,478**

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

31 March 2020 £000		31 March 2021 £000
121	Not later than one year	121
483	Later than one year and not later than five years	483
10,995	Later than five years	10,874
11,599	**Total**	**11,478**

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 2020/21 £0.4m contingent rents were receivable by the Council (£0.3m in 2019/20).

Authority as Lessor - Operating Leases

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

31 March 2020 £000		31 March 2021 £000
2,121	Not later than one year	2,031
4,088	Later than one year and not later than five years	7,565
18,785	Later than five years	18,435
24,994	**Total**	**28,031**

Note 39 - Service Concession Arrangements

The Council has two Private Finance Intiative schemes (Primary Schools and Residential Care Homes).

Primary Schools PFI Scheme

2020/21 was the 18th year of a thirty year PFI contract for the construction and maintenance of six schools in the Borough, four of which are Council owned and two of which are part of voluntary aided (VA) schools. The Council has rights under the contract to use all of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed in the schools. The buildings and any plant and equipment installed in the schools at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to voluntarily terminate the contract if it compensates the contractor in full for borrowing costs incurred and redundancy costs of relevant employees.

Residential Care Homes PFI Scheme

2020/21 was the 20th year of a twenty five year PFI contract for the construction, maintenance and operation of three care homes. The Council has rights under the contract to use one hundred and seventy five bed spaces provided, and the option to purchase any of the forty three 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

2020/21	**Residential Care Homes**	**Primary Schools**	**Total**
	£000	**£000**	**£000**
Cost or Valuation			
at 1 April 2020	13,258	17,232	30,490
Additions	0	17	17
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(142)	11,280	11,138
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	1,838	1,838
at 31 March 2021	**13,116**	**30,367**	**43,483**

Accumulated Depreciation and Impairment			
at 1 April 2020	0	0	0
Depreciation charge	(278)	(325)	(603)
Depreciation written out to the Revaluation Reserve	209	244	453
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	30	30
at 31 March 2021	**(69)**	**(51)**	**(120)**
Net Book Value			
at 31 March 2021	**13,047**	**30,316**	**43,363**
at 31 March 2020	**13,258**	**17,232**	**30,490**

Movement in PFI Assets

2019/20	**Residential Care Homes**	**Primary Schools**	**Total**
	£000	**£000**	**£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 31 March 2019	**11,408**	**14,182**	**25,590**

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

2020/21	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Balance outstanding at start of year	(5,726)	(7,203)	(12,929)
Payments during the year	760	323	1,083
Balance outstanding at year-end	**(4,966)**	**(6,880)**	**(11,846)**

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)**

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 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due under PFI schemes - 2020/21

Reimbursement of Capital Expenditure	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	829	353	1,182
Payable within two to five years	4,136	1,759	5,895
Payable within six to ten years	0	3,254	3,254
Payable within eleven to fifteen years	0	1,515	1,515
Total	4,965	6,881	11,846

Interest	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	399	583	982
Payable within two to five years	774	1,985	2,759
Payable within six to ten years	0	1,426	1,426
Payable within eleven to fifteen years	0	123	123
Total	1,173	4,117	5,290

Payment for Services	Residential Care Homes	Primary Schools	Total
	£000	£000	£000
Payable within one year	5,788	3,277	9,065
Payable within two to five years	25,000	14,463	39,463
Payable within six to ten years	0	21,559	21,559
Payable within eleven to fifteen years	0	4,900	4,900
Total	30,788	44,199	74,987

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

Note 40 - 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 2020/21:

- Banks with over 20% UK government ownership - up to £15m.
- Banks and Building Societies with required credit rating - up to £10m for up to two years.
- Money Market Funds with AAA Fitch rating - up to £10m.
- Local Authorities - up to £5m (or the lower of 10% of net budget per authority, or 10% of Council Tax requirement)
- 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 six 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.

Liquidity Risk	**31 March 2020**	**31 March 2021**
	£000	**£000**
Less than one year	11,455	7,148
Between one and two years	11,035	6,731
Between two and five years	20,165	22,636
More than five Years	40,258	39,876
More than ten years	112,815	103,994
Total	**195,728**	**180,385**

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 2021, 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 2021**
	£000
Increase in interest payable on variable rate borrowings	29
Increase in interest receivable on variable rate investments	(781)
Impact on Surplus or Deficit on the Provision of Services	**(752)**

Note 41 - Pension Schemes Accounted for as Defined Contribution Schemes

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

<u>Teachers' Pension Scheme</u>

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 has in excess of 10,000 participating employees and consequently 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, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a Defined Benefit basis and detailed in note 42. The Council is not liable to the scheme for any other entity's obligations under the plan.

<u>NHS Pension Scheme</u>

Some statutorily transferred staff are members of the NHS Pension Scheme. The scheme is unfunded and is administered by NHS Pensions, part of the NHS Business Services Authority which is an arm’s length body of Department of Health and Social Care.

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	
	2019/20	**2020/21**	**2019/20**	**2020/21**
Total Contributions	**£7.3m**	**£8.7m**	**£0.02m**	**£0.02m**
Employer's Contribution Rate:				
From 1 April	16.48%	23.68%	14.38%	14.38%
From 1 September	23.68%	23.68%	-	-
Anticipated Employer's Contributions next year	23.68%	23.68%	14.38%	14.38%

Note 42 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. The London Borough of Richmond Pension Fund was merged with the Wandsworth Council Pension Fund during 2016/17 under statutory instrument. The authority is now an employer in the 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 within 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.

The final guidance on implementation of the McCloud ruling used for 2020/21 is close enough to the assumptions used in the prior year to make the figures comparable.

2019/20 LGPS - WBC Pension Fund £000	General Fund Transactions	2020/21 LGPS - WBC Pension Fund £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
22,108	Current service cost	19,936
351	Past service cost	56
(9)	(Gain) / loss from settlements and / or transfers	218
322	Administration expenses	339
4,783	Net interest expense	4,738
27,555	**Total charged to Surplus and Deficit on Provision of Services**	**25,287**

£000	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	£000
	Re-measurement of the net defined benefit liability comprising:	
67,907	Return on plan assets (excluding the amount included in the net interest expense)	(143,067)
10,052	Actuarial gains and losses - experience	(13,779)
(23,144)	Actuarial gains and losses arising on changes in demographic assumptions	(8,725)
(68,485)	Actuarial gains and losses arising on changes in financial assumptions	203,225
4,204	Other movements in the liability/(asset)	0
(9,466)	**Total charged to Other Comprehensive Income and Expenditure Statement**	**37,654**

18,089	**Total charged to the Comprehensive Income and Expenditure Statement**	**62,941**

2019/20 LGPS - WBC Pension Fund £000	Movement in Reserves Statement	2020/21 LGPS - WBC Pension Fund £000
(27,555)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(25,287)
	Actual amount charged against the general fund balance for pensions in the year:	
15,281	Employers' contributions payable to scheme	14,177

2019/20		2020/21
	Pensions Assets and Liabilities Recognised in the Balance Sheet	
LGPS - WBC Pension Fund		**LGPS - WBC Pension Fund**
£000		**£000**
(771,270)	Present value of the defined obligation	(970,808)
562,707	Fair value of plan assets	713,481
(208,563)	Value of Assets / (Liabilities)	(257,327)
(208,563)	**Net (liability) / asset arising from the defined benefit obligation**	**(257,327)**

2019/20		2020/21
LGPS - WBC Pension Fund	**Movement in the Value of Scheme Assets**	**LGPS - WBC Pension Fund**
£000		**£000**
633,656	**Opening Balance**	**562,707**
15,110	Interest income	13,215
	Re-measurement gain / (loss):	
(67,907)	The return on plan assets, excluding the amount included in the net interest expense	143,067
(4,204)	Other gains / (losses)	0
15,281	Contributions from employer	14,177
3,781	Contributions from employees into the scheme	3,918
(32,677)	Benefits / transfers paid	(24,597)
(322)	Administration expenses	(339)
(11)	Assets Extinguished on Settlement	1,333
562,707	**Closing value of scheme assets**	**713,481**

2019/20		2020/21
LGPS - WBC Pension Fund	**Movements in the Fair Value of Scheme Liabilities**	**LGPS - WBC Pension Fund**
£000		**£000**
(839,411)	**Opening Balance**	**(771,270)**
(22,108)	Current service cost	(19,936)
(19,893)	Interest cost	(17,953)
(3,781)	Contributions from scheme participants	(3,918)
	Re-measurement gains and losses:	
(10,052)	- Actuarial gains / (losses) - experience	13,779
23,144	- Actuarial gains / (losses) from changes in demographic assumptions	8,725
68,485	- Actuarial gains / (losses) from changes in financial assumptions	(203,225)
0	- Other	0
(351)	Past service cost	(56)
32,677	Benefits / transfers paid	24,597
20	Liabilities extinguished on settlements	(1,551)
(771,270)	**Balance as at 31 March**	**(970,808)**

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

2019/20			2020/21	
LGPS - WBC Pension Fund		Asset Allocation	LGPS - WBC Pension Fund	
£000	%		£000	%
21,961	3.90%	Cash and cash equivalents	35,858	5.03%
328,391	58.36%	Equities	444,379	62.28%
15,052	2.67%	Gilts	13,367	1.87%
78,558	13.96%	Corporate Bonds	97,454	13.66%
57,727	10.26%	Property	57,867	8.11%
61,018	10.84%	Multi-Asset Funds	64,556	9.05%
562,707	**100.00%**	**Scheme assets**	**713,481**	**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:

2019/20	LGPS - WBC Pension Fund	2020/21
Mortality assumptions		-
Longevity at retirement for current pensioners (years)		
21.8	Men	21.6
24.4	Women	24.3
Longevity at retirement for future pensioners (years)		
23.2	Men	22.9
25.8	Women	25.7
Other assumptions		
2.75%	Rate of inflation (RPI)	3.25%
1.90%	Rate of inflation (CPI)	2.85%
2.90%	Rate of increase in salaries	3.85%
1.90%	Rate of increase in pensions	2.85%
2.35%	Rate for discounting scheme liabilities	2.05%

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 2019/20				WBC Fund 2020/21		
£000	**£000**	**£000**		**£000**	**£000**	**£000**
0.10%	**0.00%**	**-0.10%**	Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
757,101	771,270	785,726	Present Value of Total Obligation	952,663	970,808	989,328
18,780	19,241	19,715	Projected Service Cost	29,447	30,459	31,502
0.10%	**0.00%**	**-0.10%**	Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**
772,087	771,270	770,459	Present Value of Total Obligation	971,919	970,808	969,706
19,326	19,241	19,308	Projected Service Cost	30,476	30,459	30,443
0.10%	**0.00%**	**-0.10%**	Adjustment to pension increases & deferred revaluation	**0.10%**	**0.00%**	**-0.10%**
784,960	771,270	757,834	Present Value of Total Obligation	988,042	970,808	953,899
19,793	19,241	18,852	Projected Service Cost	31,491	30,459	29,458
+ 1 Year	**None**	**-1 Year**	Adjustment to mortality age rating assumption	**+ 1 Year**	**None**	**-1 Year**
804,019	771,270	739,954	Present Value of Total Obligation	1,020,504	970,808	923,673
19,905	19,241	18,746	Projected Service Cost	31,836	30,459	29,135

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 but does retain representation on the committee of the Fund.

The last triennial valuation took place as at 31 March 2019. This valuation set a rate of 24.4% (18% in 2019/20) plus a lump sum of £1.3m for the three years from 2020/21 to 2022/23 (£2.7m in 2019/20) from the Council including community schools.

Note 43 - Contingent Liabilities

Contingent liabilities relate to possible expenditure arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated 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 2021 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 £90.8m in their 2020/21 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 trade loss in 2020/21.

Note 44 - Contingent Assets

Contingent assets relate to possible income arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise or cannot be reliably estimated. The right to the potential asset is dependent on something happening in the future. A review is undertaken annually to identify potential contingent assets. There were no contingent assets outstanding as at 31 March 2021.

Note 45 - Trust Funds

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

2020/21

Fund	Income	Expenditure	Assets
	£000	£000	£000
Orleans House	0	2	8,927
Housing Trust	(1,232)	0	2,619
Other minor trust funds	0	0	255
Total	**(1,232)**	**2**	**11,801**

2019/20

Fund	Income	Expenditure	Assets
	£000	£000	£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**

Note 46 - Home Loans Unit (HLU)

In 1988 the Council took over the responsibility for the former Greater London Council (GLC) mortgage portfolio. The details of the transfer of this function and the terms on which the Council undertakes the functions are set out in the London Government Reorganisation (Mortgages) Order 1988, SI 1988 (1747). The Council administers all transactions, assets and liabilities relating to the previously made mortgages on behalf of all London Borough councils through the HLU. Revenue and capital surpluses are distributed to the councils on the basis set in the SI based on estimates.

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

The following table provides detail of the HLU’s Balance Sheet.

2019/20 £000		2020/21 £000
6,676	Equity Shares in Property	6,097
6,676	**Long Term Assets**	**6,097**
143	Short-Term Investments	13
12	Short-Term Debtors	6
539	Cash and Cash Equivalents	983
694	**Current Assets**	**1,002**
(432)	Short-Term Creditors	(371)
(432)	**Current Liabilities**	**(371)**
6,938	**Net Assets**	**6,728**
(262)	Usable Reserves	(631)
(6,676)	Unusable Reserves	(6,097)
(6,938)	**Total Reserves**	**(6,728)**

Note 47 – 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 2020/21 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 two (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 2020/21 or 2019/20. Where LB Richmond has entered into specific relationships with Wandsworth Council and its existing partners, these are detailed below.

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 2020/21 (£0.5m in 2019/20) 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 £2.6m on the Internal Audit side of IAIS in 2020/21 and recovered £2.1m from the partnering boroughs (£2m expenditure and £1.6m income in 2019/20). 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 £0.1m of expenditure in 2020/21 (no change from 2019/20) 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 £0.9m in 2020/21 (£0.7m in 2019/20) in relation to this shared service.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax, Business Rates (Non-Domestic Rates - NDR) and the Business Rates Supplement (BRS).

31 March 2020					31 March 2021			
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
				INCOME:				
		(161,314)	(161,314)	Council Tax Receivable			(166,632)	(166,632)
(86,198)			(86,198)	Business Rates Receivable	(39,856)			(39,856)
(177)		(1)	(178)	Transitional Protection Payments Receivable	124		0	124
	(2,276)		(2,276)	Business Rates Supplements receivable		(2,151)		(2,151)
			0	Transfer from General Fund re Covid Hardship			(409)	(409)
(86,375)	**(2,276)**	**(161,315)**	**(249,966)**	**Total amounts to be credited**	**(39,732)**	**(2,151)**	**(167,041)**	**(208,924)**
				EXPENDITURE:				
				Apportionment of Previous Year Surplus/Deficit:				
2,150			2,150	Central Government	(456)			(456)
2,377		1,500	3,877	LB Richmond	(280)		1,250	970
2,649		312	2,961	Greater London Council	(158)		270	112
				Precepts, demands and shares:				
22,519			22,519	Central Government	30,176			30,176
43,237		131,211	174,448	LB Richmond	27,432		136,625	164,057
24,321		28,353	52,674	Greater London Council	33,833		29,469	63,302
				Business Rate Supplement:				
	2,033		2,033	Payment to levying authority's Business Rate Supplement Revenue Account		1,837		1,837
	7		7	Administrative Costs		6		6
				Charges to Collection Fund:				
545	0	251	796	Write-offs of uncollectable amounts	(360)		203	(157)

450	236	802	1,488	Increase/(decrease) in allowance for impairment	3,328	308	497	4,133
(758)			(758)	Increase/(decrease) in allowance for appeals	4,689			4,689
284			284	Charge to General Fund for allowable collection costs for non-domestic rates	277			277
97,774	**2,276**	**162,429**	**262,479**	**Total amounts to be debited**	**98,481**	**2,151**	**168,314**	**268,946**
11,399	**0**	**1,114**	**12,513**	**(Surplus)/Deficit arising during the year**	**58,749**	**0**	**1,273**	**60,022**
(8,131)	0	(1,959)	(10,090)	(Surplus)/Deficit b/f at 1 April 2020	3,268	0	(845)	2,423
11,399	0	1,114	12,513	Movement during the year	58,749	0	1,273	60,022
3,268	**0**	**(845)**	**2,423**	**(Surplus)/Deficit c/f at 31 March 2021**	**62,017**	**0**	**428**	**62,445**

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

2020/21

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	397	6/9	265
B	40,001 - 52,000	1,333	7/9	1,037
C	52,001 - 68,000	9,175	8/9	8,156
D	68,001 - 88,000	16,737	9/9	16,737
E	88,001 - 120,000	17,164	11/9	20,978
F	120,001 - 160,000	11,043	13/9	15,951
G	160,001 - 320,000	12,151	15/9	20,252
H	More than - 320,001	3,335	18/9	6,670
			Adjustment	(1,351)
			Plus Ministry of Defence Properties	48
			Council tax base	**88,742**

2019/20

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to 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	**88,464**

The rateable value on non-domestic properties at 31 March 2021 was £219.8m (£221.3m for 31 March 2020).

The Business Rates multiplier for 2020/21 was 51.2p (50.4p for 2019/20) and the small business multiplier for 2020/21 was 49.9p (49.1p for 2019/20).

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 2020/21 (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.

<u>Orleans House Trust</u>

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.

<u>Achieving for Children (AfC)</u>

AfC was established on 5 February 2014 and was operational from 1 April 2014. It is a Community Interest Company limited by Guarantee that is jointly owned by the Council (40%), RB Kingston (20%) and RB Windsor and Maidenhead (20%). All Councils have commissioned AfC to provide Childrens' and Educational Services across the boroughs. AfC has offered an opportunity to pool facilities, staff talents and to share assets. The main benefits are greater capacity in safeguarding and looking after the most vulnerable children as well as providing the highest quality services to support schools. The Council has assessed AfC as a Joint Venture. AfC's Accounts have been prepared in accordance with International Financial Reporting Standards

All three councils also provide a revolving credit facility (short term cash flow loan) to AfC at market rates, under the terms of the legal agreement signed by all three parties. This loan is shown in the Council's Accounts as a short-term debtor, with a fair value equal to carrying value due to the loan requiring repayment at no more than six monthly intervals. LB Richmond funded 38.1% of the loan in 2020/21.

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

Reclassified 2019/20 Expenditure £000	Reclassified 2019/20 Income £000	Reclassified 2019/20 Net £000		2021/21 Expenditure £000	2021/21 Income £000	2021/21 Net £000
92,795	(38,474)	54,321	Adults, Health and Housing	98,687	(43,433)	55,244
194,521	(142,230)	52,291	Education and Children's Services	190,694	(148,631)	42,063
39,768	(15,585)	24,183	Environment	38,924	(13,469)	25,455
21,022	(20,012)	1,010	Transport and Air Quality	22,393	(16,211)	6,182
104,311	(72,500)	31,811	Finance, Policy and Resources	100,438	(78,840)	21,598
452,417	**(288,801)**	**163,616**	**Cost of Services**	**451,136**	**(300,954)**	**150,542**
9,283	(1,738)	7,545	Other Operating Expenditure	14,093	0	14,093
30,154	(19,220)	10,934	Financing and Investment Income and Expenditure	23,434	(17,130)	6,304
0	(171,128)	(171,128)	Taxation and Non-Specific Grant Income	0	(186,034)	(186,034)
491,854	**(480,887)**	**10,967**	**Surplus or Deficit on Provision of Services**	**488,663**	**(503,758)**	**(15,095)**
		4,196	Share of the Surplus or deficit of Joint Ventures			2,007
		15,163	**Group Surplus or Deficit**			**(13,088)**
		(44,039)	Surplus or deficit on revaluation of Property, Plant and Equipment			(118,359)
		(9,466)	Remeasurement of the net defined benefit liability / asset			37,654
		(4,900)	Share of Other CIES of Joint Ventures			14,077
		(58,405)	**Other Comprehensive Income and Expenditure**			**(66,628)**
		(43,242)	**Total Comprehensive Income and Expenditure**			**(79,716)**

Group Balance Sheet

31 March 2020 £000		31 March 2021 £000
875,567	Property, Plant and Equipment	979,244
4,541	Heritage Assets	4,548
14,391	Investment Property	14,747
39	Intangible Assets	10
750	Long Term Investments	0
22,499	Long Term Debtors	22,780
917,787	**Long Term Assets**	**1,021,329**
55,998	Short-term Investments	44,432
20	Inventories	3
65,262	Short Term Debtors	106,626
1,837	Cash and Cash Equivalents	72,527
123,117	**Current Assets**	**223,588**
(7,318)	Short-Term Borrowing	(11,002)
(59,259)	Short-Term Creditors	(97,442)
(1,799)	Provisions	(2,732)
(3,488)	Grants Receipts in Advance - Revenue	(28,216)
(2,489)	Grants Receipts in Advance - Capital	(1,744)
(74,353)	**Current Liabilities**	**(141,136)**
(307)	Long-Term Creditors	(311)
(581)	Provisions	(416)
(127,474)	Long Term Borrowing	(120,259)
(230,412)	Other Long-Term Liabilities	(277,447)
0	Grants Receipts in Advance - Revenue	(1,636)
(5,449)	Grants Receipts in Advance - Capital	(5,584)
(24,155)	Share of Joint Venture Liability	(40,239)
(388,378)	**Long Term Liabilities**	**(445,892)**
578,173	**Net Assets**	**657,889**
(87,716)	Usable Reserves	(153,465)
(514,612)	Unusable Reserves	(544,663)
24,155	Share of Joint Venture Reserves	40,239
(578,173)	**Total Reserves**	**(657,889)**

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 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)**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(14,835)	14,835	**0**	**0**
Surplus or deficit on the provision of services	(15,097)		2,009	(13,088)
Other Comprehensive Income / Expenditure		(79,504)	12,877	(66,627)
Total Comprehensive Income and Expenditure	**(15,097)**	**(79,504)**	**14,886**	**(79,715)**
Adjustments between accounting basis and funding basis under regulations	(35,820)	35,820	0	0
Net Increase or Decrease in 2020/21	**(50,917)**	**(43,684)**	**14,886**	**(79,715)**
Balance at 31 March 2021	**(153,280)**	**(534,744)**	**30,135**	**(657,889)**

Group Cash Flow Statement

2019/20 £000		2020/21 £000
15,163	Net (surplus) or deficit on the provision of services	(13,088)
(45,407)	Adjustment to surplus or deficit on the provision of services for noncash movements	(110,235)
18,529	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26,079
(11,715)	**Net cash flows from operating activities**	**(97,244)**
16,339	Net cash flows from investing activities	(18,044)
(1,329)	Net cash flows from financing activities	44,598
3,295	**Net (increase) or decrease in cash and cash equivalents**	**(70,690)**
4,935	Cash and cash equivalents at the beginning of the reporting period	1,837
1,640	**Cash and cash equivalents at the end of the reporting period**	**72,527**

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

INDEPENDENT AUDITOR'S REPORT TO THE 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 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement; Authority and Group Balance Sheet; Authority and Group Movement in Reserves Statement, Authority and Group Cash Flow Statement, and the related notes 1 to 47; the Collection Fund and the related note 1.

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 2020/21.

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 2021 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 2020/21.

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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 17 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Accounts for the year 2020/21, other than the financial statements and our auditor's report thereon. The Director of Resources is responsible for the other information contained within the Accounts for the year 2020/21.

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.

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 course of 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 themselves. 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.

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 Authority;
- 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Director of Resources

As explained more fully in the Statement of Responsibilities set out on page 11, the Director of Resources is responsible for the preparation of the Accounts for the year 2020/21, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Education Act 2002 and School Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how the London Borough of Richmond upon Thames is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes and through enquiry of employees to confirm Authority policies, d. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified misstatements due to fraud and error and a risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure to be our fraud risks.

- To address our fraud risk around misstatements due to fraud and error, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.
- To address our fraud risk of risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

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 reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the London Borough of Richmond upon Thames had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

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

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts 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 the London Borough of Richmond upon Thames, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Richmond upon Thames and the London Borough of Richmond upon Thames' 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
4 February 2022

Annual Governance Statement 2020/21

SCOPE OF RESPONSIBILITY

Richmond Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

In May 2019, the Council moved to a committee system model of governance. This involved 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.

All Council Officers are set annual objectives which are directly linked to the Council's behaviours and values and key priorities. Progress against the objectives is monitored throughout the year and formally at an end of year appraisal review.

The Council's Anti-Money Laundering and Anti-Bribery policies, linked to the Whistle Blowing Policy, were reviewed in September 2020 to ensure that they remain effective in terms of reports of possible fraud or financial irregularities. The Council has this year established a process whereby the Monitoring Officer, Heads of Audit and Fraud and the Head of Human Resources meet on a bimonthly basis to review whistleblowing cases to ensure they receive an appropriate response.

Annual reports for adults' social care, children's social care, and corporate complaints were presented to the relevant overview and scrutiny committees. The Council's complaints system is effective with numbers of complaints and reasons for complaints monitored by Directors and reported to relevant Committees via Departmental Annual Reports.

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 four 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 four-year period and a statement of the high-level measures used to monitor delivery against the priorities. The Corporate Plan also sits alongside other strategic, partnership plans such as the Community Safety Partnership Plan and the Children and Young People's Plan.

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 online consultation portal has been used extensively during the year and where appropriate, other methods are frequently used alongside online consultation, such as face-to-face, telephone and paper forms, thereby ensuring that the widest range of the community is engaged on the issues. The Council has a commitment to holding open meetings and committee reports, agendas and minutes are published on the internet. The Covid-19 pandemic and associated lock-down and restrictions on meeting in public resulted in in-person meetings not always being possible. However, the Council ensured it maintained continuity of engagement through the use of electronic and virtual media, for example using webcasts to facilitate meetings.

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.

During the year the Council was understandably focused on supporting residents and businesses in relation to Covid-19. The June Finance, Policy and Resources Committee agreed that the KPI refresh should build on the existing framework and focus on ensuring that KPIs remain fit for purpose and allow Members to track service performance and progress effectively in 2020/21. As the pandemic situation made it challenging to set accurate targets

for KPIs for 2020/21 on this basis, it was agreed that no targets should be set for 2020/21. Instead 2020/21 would be a new baselining year which will be used to set realistic and accurate targets for KPIs moving forward.
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 must be 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 Council's operations.
Social value is embedded into the Council procurement process and officers consider social value before the commencement of any procurement in order to determine the best procurement approach and to inform the design of the services required. Measurement and outcomes of contracts can include environmental metrics and KPIs

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 are 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. A working group of members has been established to consider whether to adopt the Model Code of Conduct produced by the Local Government Association. 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 February 2019, 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 focused continuous training. Officers have a formal appraisal process where training needs are adequately identified and catered for. The Council offers a full range of management and leadership training, for staff wishing to prepare themselves for future management roles through to senior leaders and a Leadership Development Programme for managers, leading to an Institute of Leadership
and Management qualification. 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 as evident by the Chief Executive Officer and Director of Resources roles being currently filled on an interim basis by existing Council Officers.

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 2019/20 to provide support to all Heads of Services with this process. More will follow when required.
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.
As part of the Council's Contingency Plan and to ensure that it could effectively respond to the pandemic, a GOLD group was set up to assess the situation and strategically lead operations. GOLD is a virtual meeting, initially held twice a week, chaired by the Chief Executive and attended by Directors along with the Director of Public Health, Assistant Chief Executive, Deputy Director of Environment & Community Services, representatives from the Emergency Planning Team, the Head of Communications and a representative from the local police.

During the year, in light of the Covid-19 pandemic, requirements on providers were relaxed in accordance with Government guidance in order for them to be able to continue to remain viable and changes to processes within the Council were adopted across departments to facilitate new ways of working or support changes resulting from the large numbers of staff working from home. No significant issues or failures resulting from these changes have been identified.

Implementing good practices in transparency, reporting and audit to deliver effective accountability. The Council has operated as a Shared Staffing Arrangement with Wandsworth Council since 1st October 2016 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. This arrangement has enabled both organisations to realise savings whilst preserving front line services and to pool experience and skills from across two organisations which has contributed to the development of both. The Council's main partnerships include Achieving for Children (AfC), Audit & Fraud, Community Safety, Legal, Pensions, Environment Services 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.
During the course of the year, the Council and its services encountered unprecedented changes to the way it operated as a result of Covid-19 and the restrictions placed upon it. This included the way that Internal Audit reviewed the controls and processes in the authority and our key priorities. There was a primary focus to ensure service continuity and or adaptations to services to meet the requirements of the various clients we serve. Internal Audit, Fraud and Procurement teams assisted in ensuring adaptations and workarounds had pragmatic controls in light of the circumstances at the time.

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 October 2020 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 2019/20 together with a report from the External Auditor. 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.

After the financial year ends on 31 March, normally the Council's accounts are completed in May before they are audited and published by the end of July in line with regulations. In 2020 the regulations were amended as The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which required the Council to publish their accounts by 30 September 2020, and for the external audit to be completed by 30 November 2020. The Council's draft accounts were published ahead of the deadline on the 3 July 2020 and the external audit commenced shortly after on the 6 July 2020. At the time of the October Audit, Standards, and Statutory Accounts Committee the accounts were largely complete however the final Audit Results Report was not issues by EY until 29th January 2021.

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. As a result of Covid-19, during the year the Internal audit team completed less controls testing than usual. Resources were targeted more closely on key risk-based process. In particular the large amounts of money made available to businesses and care homes became a focus of work and a significant amount of time was devoted to reviewing a control in these areas. Key financial control audits were completed as they would be usually.

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 Directorate, 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 (https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CId=805&MId=5104&Ver=4), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues
(a) Facilities Management
In response to the No assurance audit report issued in 2019/20, the Audit Committee has been kept up to date with progress in implementing the 13 high priority recommendations. A substantial amount of work has been undertaken to establish more robust procedures, underpinned by a programme of training and overseen by a new Head of Facilities Management. A follow up audit will be undertaken in the latter part of the year once these changes have had the opportunity to embed to assess the effectiveness of the new systems and controls and to ensure that they are consistently applied.

(b) Information Security
The challenges to delivering effective information and data security management require constant review especially following the significant changes to working practices during the year. With officers working in a more agile way across different sites, including from home, the Council will need to continue to act to safeguard information and consider where it is being stored and processed. 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 and Agile Working

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.

Agile working practices being developed across Departments could embed working from home for significant periods of time for many officers thus distributing the pool of collective knowledge further. It will be critical to retain knowledge sharing and corporate memory regardless of where officers are located and to address the challenges of transferring knowledge whilst working remotely.

(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. Four audit reports included recommendations related to Contract Management. The risk of service disruption due to poor service delivery or contractor failure has been 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 arrangement and where appropriate take timely and effective intervention action. The effectiveness of contract management is also subject to review by Internal Audit.

Contract Management across the SSA has been the subject of internal audits in recent years which highlight the need for urgent improvements. Directors were supportive of a review of contract management across the SSA. The review again highlighted pockets of good practice but with no common framework or common understanding across the SSA.

Furthermore, it should be noted as part of the Council's Supplier Relief arrangements in some areas full adherence to contract provision were waived and/or alternative service provision was agreed. Now that recovery arrangements are in place there is a need to ensure that Business as Usual is reinstated as soon as pragmatically possible.

(e) Business Continuity and Disaster Recovery

There is an ongoing fundamental change to how services are developed. During the year arrangements were successfully rolled out to enable the majority of staff to work from home, and these processes have been stress tested through daily use by a significant number of staff across all Council departments. All Business Continuity Plans were updated during the year to ensure that they were fit for purpose and considered further potential impacts of Covid-19 on the Council's ability to deliver services. As a result of Covid-19 a large proportion of providers have not been operating to the original contracts and specification. There is now a need to ensure that the Council goes back to business as usual or improves where better working practices have been identified whilst ensuring that continuing assistance is provided to businesses to remain viable following a period of significant support via business grant relief and furlough schemes along with a number of grant schemes that were put in place to support care providers.

(f) Dedicated Schools Grant (DSG)
Until an agreement in March 2021 between the Council and the Department for Education for additional funding (known as "safety valve" funding), the cumulative overspend in the Dedicated Schools Grant (DSG) would have reached almost £18 million by the end of financial year 2020/21, with the High Needs Block of the DSG (the largest single funding source of SEND provision) overspending by about £4million in 2020/21 alone. This additional funding plan saw the Council receive an additional £6 million in financial year 2020/21, with further potential payments spread over the following four years with the aim of reducing the deficit to zero by 2025. These further payments are subject to the Council continuing to make good progress with its SEND Futures Plan, with the Council also required to make some contributions from its own resources. The SEND Futures Plan works to mitigate potential overspends over the five-year period through both cost avoidance and through the control of average costs. If successful, the plan will bring the fund back to an in-year balance by 2025/26 and is therefore of significant importance going forward.

(g) Covid -19 Restoration
In response to the Covid-19 pandemic, the Corporate Resilience Plan was activated and 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. This included the administration of grant funding from central government. Most significantly, financial support to businesses across 12 grant schemes, paying out 6,634 grants totalling over £50m to 31st March 2021.
The Council's Internal Audit and Fraud teams have worked alongside Business Rates colleagues to shape the processes to administer the business rate grant schemes and in undertaking detailed eligibility checks prior to payment. This work will continue in 2021/22 through a programme of post payment assurance checks.
During 2021/22, 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.

(h) Cyber Security
2020 saw a shift in the ever-changing cyber threat landscape, with ransomware becoming the most significant cyber security threat faced by organisations. The Covid-19 pandemic also forced organisations to rapidly change how they operate – creating new opportunities for threat actors in the process. Remote working meant threats around offsite access and infrastructure came to the forefront, offering new challenges to securing organisations. The Council's cyber security arrangements are constantly evolving to combat these risks. An experienced in-house team is supported through the use of external specialists who review systems and conduct ethical hacks to assess the robustness of controls in place. Regardless of the technology controls in place the Council's staff need to play their part in protecting the organisations systems from these threats.

Signed:

………………………………………………………………………………………………

Cllr Gareth Roberts	Mark Maidment
Leader of the Council	Chief Executive

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

The period 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.

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.

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 (NNDR)

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 NNDR purposes.

RELATED PARTIES

Related Parties are defined by 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.

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.