Wandsworth Council

Accounts for the year 2019/20

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Director of Resources and Deputy Chief Executive

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www.wandsworth.gov.uk

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Narrative Report

Introduction

This is the Statement of Accounts of Wandsworth Council for the financial year 2019/20. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which in turn is underpinned by International Financial Reporting Standards. This means that the accounts are prepared on the same basis as the rest of the local authorities and central government in the United Kingdom. This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow, as well as giving information as to how the Council will develop over the next few years.

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 the Code, 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 the Code 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

Wandsworth Council is concentrating on delivering local priorities – its focus is on making the Borough the best place to live in London and on improving the life chances of its most vulnerable residents, with the aim of providing local people with first rate services.

The Council has an ambitious vision for the Borough's future as it manages the biggest council-led regeneration and economic development programme in London. The Council will measure regeneration success in terms of the benefits it brings to its communities and will work hard to harness every opportunity that comes with new investment in the Borough. Clear and challenging targets have been set for delivering new jobs, apprenticeships, transport links, cultural attractions, business opportunities and genuinely affordable homes. In addition the Council has set an ambitious target to be carbon neutral by 2030 and become the greenest inner London borough. The Wandsworth Environment and Sustainability Strategy (WESS) sets out a roadmap that aims to deliver a series of actions to deliver on this ambition.

Wandsworth has achieved much, including low crime rates within inner London, a school network where the vast majority of schools are rated either good or outstanding, a first class library network, beautiful parks and commons, excellent transport links and one of London's best affordable home building records. But none of this can ever be taken for granted and listening to its residents and responding to their changing needs is a key feature of its business model.

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

The Council has six strategic objectives that reflect the Council's priorities and its ongoing corporate ambition to deliver high quality, value for money services, including keeping the Council Tax amongst the lowest in the country:

- Providing the best start in life.
- Cleaner, safer, better neighbourhoods.
- More homes and greater housing choice.
- Helping people get on in life.
- Encouraging people to live healthy, fulfilled and independent lives.
- Value for money.

In addition, the recently launched "Smart Growth" plan aims to build on these objectives to deliver better outcomes for those communities particularly affected by Covid-19, creating opportunities for all those who live and work in the borough to achieve their potential. The first "Smart Growth" action plan (Paper No. 20-202) can be found here: https://democracy.wandsworth.gov.uk/documents/s75131/Smart%20Growth%20-%20Wandsworths%20Recovery%20Plan.pdf

Operational Model

The Council delivers some services itself, commissions others to provide some services on its behalf and also works with partners to deliver services. Commissioning is an ongoing process that includes assessing needs, engaging with local people to prioritise services and then planning and securing those services. 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 six directorates:

Adult Social Care and Public Health
Chief Executive's Group
Children's Services
Environment and Community Services
Housing and Regeneration
Resources

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

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

Risks and Opportunities

The Audit Committee of the Council has responsibility for monitoring the effective development and operation of risk management policies in the Council, making recommendations to the Executive on risk management procedures. The Annual Governance Statement again confirms that the Council's Risk Management Strategy is effective and well embedded into corporate management processes. The latest review of key risks and mitigating controls can be found here:
https://democracy.wandsworth.gov.uk/documents/s73487/20-125%20-%20Annual%20Review%20of%20Risk%20Management.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 are playing a vital role in supporting communities and local economies during the crisis and, whilst there has been some effect on 2019/20 Accounts, the true scale of its impact on the Council's finances will only be felt in 2020/21 and beyond.

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

Future funding

Even before the COVID-19 pandemic a key risk affecting the Council related to its financial position. In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally. A pilot for the pooling of business rates has operated across London since 2018/19 and has seen London retain a greater share of business rate growth, however the Government's wider planned reform of business rates retention has been deferred from 2020/21 until at least 2022. The Government's *"fair funding"* review of its national distribution formulae also adds uncertainty to the Council's financial outlook although again this has been postponed beyond 2021/22.

Increase in demand for services

In addition to further anticipated constraint in Government funding the Council also expects to see rising demand for services from an increasing demographic, particularly around adult social care and children's specialist services. In particular, demand post-COVID-19 is expected to rise in some areas such as homelessness. There is also pressure on the Dedicated Schools Budget which funds schools and the Council's General Fund currently holds the funding risk where grant funding for schools proves insufficient to meet statutory requirements.

The Council's MTFS details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding and increasing demographic pressures. The latest version of the MTFS can be accessed via the Corporate Business Plan at www.wandsworth.gov.uk/cbp.

Performance

As the Council's main strategy document, the Corporate Business Plan plays a key role in shaping the performance management framework for the Council. A suite of performance indicators is included within the Corporate Business Plan to help monitor performance and track progress on key issues for the Council. The Corporate Business Plan is published annually and the latest can be viewed on the Council's website at www.wandsworth.gov.uk/cbp.

Financial Performance

General Fund Revenue Budgets

The final outturn position for the year compared to the revised budget is set out below.

Committee	Revised Budget £000	Outturn £000	Variance £000	Covid-19 Spend £000
Finance & Corporate Resources	(1,201)	(11,342)	(10,141)	(6,877)
Adult Care and Health	76,453	75,676	(777)	13
Education & Children's Services	84,550	84,683	133	109
Community Services & Open Spaces	32,925	31,759	(1,166)	210
Housing & Regeneration	7,221	7,329	108	13
Strategic Planning & Transportation	922	131	(791)	1,082
Total – Committee Budgets	**200,870**	**188,236**	**(12,634)**	**(5,450)**
New Homes Bonus	(12,953)	(12,953)	-	-
Improved Better Care Fund	(15,188)	(15,188)	-	-
Net Expenditure	**172,729**	**160,095**	**(12,634)**	**(5,450)**
Funded By:				
Retained Business Rates	(103,400)	(106,482)	(3,082)	-
Collection Fund Surplus	(2,160)	(2,160)	-	-
Council Tax Requirement	(59,921)	(59,921)	-	-
Use of (-)/Contribution to (+) Reserves	(7,248)	8,468	15,716	5,450
	(172,729)	**(160,095)**	**12,634**	**0**

Further information on the Council's financial performance is reported to the Finance and Corporate Resources Overview and Scrutiny Committee in June/July of each year and the latest report can be viewed on the Council's website at:
https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=500&MId=6537&Ver=4

The underspend is mainly a result of additional subsidy received in relation to Housing Benefit (-£3.5m) ; underspends on programmes due to complete in 2020/21 (-£2.4m); higher than budgeted parking income received during the year (-£1.3m); higher income on investment balances than budgeted (-£1.1m); plus the application of £0.9m of Community Infrastructure Levy income for the maintenance of infrastructure assets. Further details and explanations of the variances are shown in Appendix B to the report linked to above.

Revenue Reserves

The opening General Fund working balance was £14.5m at 1st April 2019 and was budgeted to drop in year to the agreed contingency level of £13.5m. The General Fund balance was finalised at £14.363m at 31 March 2020 with some of the in-year underspend set aside for specific projects, and the rest transferred into the Financial Resilience Reserve to mitigate the impact of future budget pressures. Overall, useable reserves available for Council Tax purposes in the future (including the General Fund working balance) are £160.2m at the end of 2019/20 although it should be noted that there is planned use of some of this balance in 2020/21, including £5.45m of COVID-19 related grant received in 2019/20 but not yet used.

Treasury Management

Interest rates reduced during 2019/20 and remain extremely low by historical standards. In order to try and mitigate the effect of such low interest rates, longer-term investments totalling £50m were placed in multi-asset funds during 2018/19 whilst continuing to safeguard investments and levels of risk and this balance now stands at £42m. Investments increased during the year from £581m to £592m, with a peak above £600m between October 2019 and February 2020. The average interest rate performance was 1.68% compared to 1.26% 2018/19. This improved performance was in part due to an increase during the year in the rates that borrowers were willing to offer, a lower proportion of the portfolio now being held in short term investments (68.5% in 2019/20 compared to 79.8% at the end of 2018/19), full year effect of the multi-asset funds referenced above and the introduction in year of the Winstanley and York Road joint venture bond. External debt reduced from £104m to £87m continuing the repayment of the long-term borrowing taken up for the Housing Revenue Account subsidy buyout in 2012.

Capital Expenditure

Capital expenditure for the year, excluding expenditure on council housing, was £68.72m. The programme included £29.9m on the purchase of the Sergeant Industrial Estate, £6.3m on schools building works (including school expansions), £0.5m on the refurbishment of the Gwynneth Morgan Day Care Centre and £12.1m payments towards the Royal College of Art expansion (fully funded by Government grant).

The outturn against planned budget was as follows:

Committee	Expenditure 2019/20 £'000	Budget 2019/20 £'000	Variance £'000
Adult Care and Health	1,302	1,622	(320)
Community Services and Open Spaces	3,845	12,365	(8,520)
Education and Children's Services	6,453	6,721	(268)
Finance and Corporate Resources	45,183	60,604	(15,421)
Housing and Regeneration	1,203	2,806	(1,603)
Strategic Planning and Transportation	10,735	36,636	(25,901)
Total	**68,720**	**120,753**	**(52,033)**
Financed by:			
Capital Receipts Applied:	39,397	51,277	
Grants and Reimbursements (incl. CIL)	29,318	69,476	
Direct Revenue Contributions (Schools)	5	0	
	68,720	**120,753**	

Unspent budget on schemes will be slipped into future years where appropriate. Capital receipts of £27.4m were received during the year, in addition to capital grants and reimbursements of £63.1m and Community Infrastructure Levy cash receipts of £32.0m. A significant proportion of the capital receipts are ringfenced for affordable housing within the HRA and some are reserved or paid to Government, but at the end of the year the Council held £30.0m (£33.4m 2018/19) of usable capital receipts.

Schools Budget

The schools budget (excluding balances retained by schools under devolved management arrangements) was overspent in the year by a net total of £0.231m. A small surplus of £0.039m will be carried forward to 2020/21.

Council Housing

Housing Revenue Account (HRA) budgets for 2019/20 assumed net use of reserves in the year of £42.27m from an opening balance of £343.421m. Actual spend in the year generated a net deficit of £33.5m, with the variance largely resulting from the programming across years of spend on the Council's regeneration and development capital programmes. Total reserve balances carried forward are therefore £309.912m. The balance on the HRA reserves is retained against the risk of future shortfalls on the ringfenced account, to fund future expenditure on major repairs and to contribute towards the Council's extensive regeneration and development plans.

Collection Fund

The Collection Fund net deficit at the year end was £5.3m: a £1.0m deficit in relation to Council Tax and a £4.3m deficit for Business Rates. This will be taken into account when setting the levels of Council Tax in future years.

Group Accounts

The financial statements include group accounts to reflect the Council's joint venture with Taylor Wimpey UK Limited, Winstanley and York Road Regeneration LLP. The principal activity of the partnership centres around the regeneration of York Road and Winstanley estates.

Pensions

The Council is an employer in the Local Government Pension Scheme (LGPS) under statute, as well as other government administered schemes for NHS and Teachers. The benefits payable under the LGPS are set nationally by the government, but the Council is responsible for collecting contributions and investing them in a way to ensure that these benefits will be funded. The Pension Fund is maintained at a level to meet the Council's Long-Term liability for pension benefits, with Council contributions fixed accordingly.

The Fund (as with the majority of LGPS funds) has a net deficit, with an agreed deficit recovery period driving the investment strategy. The Fund's net liability decreased this year by £19.9m to £230.6m. The main reason for the decrease in the deficit is changes in demographic assumptions for both current and future pensioners and changes in financial assumptions which included decreases in both salary and pension inflation which more than offset the small decrease in the discount rate.

At the valuation carried out in March 2016, the Wandsworth share of fund was assessed as being fully funded and the Council's contribution was reduced to 18% of pay from 1st April 2017. The triennial valuation at March 2019 set the same rate of 18% of pay for the three years starting in 2020/21. The Council has set aside £43.4m in a Pensions Resilience Reserve to offset the effects of the potential for increased employer contributions which could be required in the event of the fund underperforming and to meet costs relating to its membership of other pension schemes.

Outlook

The MTFS details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding and increasing demographic pressures on some services. The Council has already delivered in excess of £145m of ongoing savings since 2010 but more will be needed. The Council has a statutory duty to balance the budget year on year which can include the use of reserves, and reserve balances will continue to be reviewed annually as a result.

The current MTFS highlights the options available for meeting the anticipated funding gap whilst maintaining the Council's policy of a distinctively low Council Tax. It identifies how a mix of efficiencies, economies and charge increases (including modest Council Tax increases) when combined with a planned run down of reserves will continue to allow for a balanced budget in the coming years. The overall aim of this approach is to protect, as far as is practicable, local services whilst enhancing working arrangements with other Councils and other public bodies, creating a sustainable financial position. The strategy continues to evolve and an updated version will be published in October reflecting the changing circumstances resulting from the effect of Covid-19 on the Council's finances and its anticipated 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 and Deputy Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Resources and Deputy Chief Executive

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

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

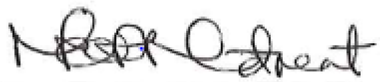
- selected suitable Accounting Policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with The Code.

The Director of Resources and Deputy Chief Executive has also:

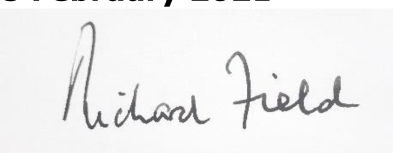
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of Wandsworth Council and group as at the 31 March 2020 and its income and expenditure for the year ended 31 March 2020.



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



Chairman of the Audit Committee
8 February 2021

Date authorised for issue: This statement of Accounts is authorised for issue on 8 February 2021 and any events up to this date are reflected in the note Events after the Balance Sheet date.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with the Code, rather than the amount to be funded from taxation. Authorities raise taxation 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.

Represented 2018/19					**2019/20**		
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**	*Notes*		**£000**	**£000**	**£000**
139,442	(58,027)	81,415		Adult Care and Health	137,853	(56,889)	80,964
47,592	(14,654)	32,938		Community Services and Open Spaces	49,290	(15,536)	33,754
324,772	(206,317)	118,455		Education and Children's Services	322,843	(211,679)	111,164
223,142	(198,941)	24,201		Finance and Corporate Resources	208,468	(200,362)	8,106
39,004	(31,706)	7,298		Housing and Regeneration	31,505	(22,706)	8,799
136,956	(142,350)	(5,394)		Housing Revenue Account	135,805	(143,213)	(7,408)
109,169	(105,685)	3,484		Strategic Planning and Transportation	45,001	(43,800)	1,201
1,020,077	**(757,680)**	**262,397**		**Cost of Services**	**930,765**	**(694,185)**	**236,580**
48,058	(31,027)	17,031	*10*	Other Operating Expenditure	20,130	(20,562)	(432)
77,317	(76,535)	782	*11*	Financing and Investment Income and Expenditure	80,247	(82,097)	(1,850)
0	(233,855)	(233,855)	*12*	Taxation and Non-Specific Grant Income	0	(269,009)	(269,009)
1,145,452	**(1,099,097)**	**46,356**		**(Surplus) or Deficit on Provision of Services**	**1,031,142**	**(1,065,853)**	**(34,711)**
		(226,880)	*14*	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(22,638)
		(124,152)	*44*	Remeasurement of the net defined benefit liability / asset			(19,833)
		(351,032)		**Other Comprehensive Income and Expenditure**			**(42,471)**
		(304,676)		**Total Comprehensive Income and Expenditure**			**(77,182)**

Balance Sheet

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

31 March 2019			**31 March 2020**
£000	*Notes*		**£000**
2,468,286	*14*	Property, Plant and Equipment	2,541,281
748	*15*	Heritage Assets	1,351
58,632	*16*	Investment Property	55,940
107	*17*	Intangible Assets	21
125,522	*19*	Long-Term Investments	125,162
22,451		Long-Term Debtors	33,539
2,675,746		**Long Term Assets**	**2,757,294**
406,182	*19*	Short-Term Investments	415,214
949	*23*	Assets Held for Sale	948
2,415	*18*	Inventories	2,480
109,246	*20*	Short-Term Debtors	134,069
73,845	*22*	Cash and Cash Equivalents	64,713
592,637		**Current Assets**	**617,424**
(17,999)	*19*	Short-Term Borrowing	(18,501)
(197,964)	*24*	Short-Term Creditors	(219,611)
(4,868)	*25*	Provisions	(3,856)
(220,831)		**Current Liabilities**	**(241,968)**
(21,642)	*19*	Long-Term Creditors	(32,880)
(9,791)	*25*	Provisions	(9,947)
(86,009)	*19*	Long-Term Borrowing	(68,207)
(250,549)		Other Long-Term Liabilities	(264,599)
(18,648)	*39*	Grants Receipts in Advance - Capital	(19,021)
(386,639)		**Long Term Liabilities**	**(394,654)**
2,660,913		**Net Assets**	**2,738,096**
(672,823)	26	Usable Reserves	(663,204)
(1,988,090)	27	Unusable Reserves	(2,074,892)
(2,660,913)		**Total Reserves**	**(2,738,096)**

These financial statements replace the unaudited financial statements certified by the Director of Resources and Deputy Chief Executive on 3 July 2020

Mark Maidment, Director of Resources and Deputy Chief Executive

Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) shows the movement from the start of the year to the end on the different reserves held by the Council, 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 are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account (HRA) Balance movements in the year following those adjustments.

	Notes	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Un-applied Account £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Reserves £000**
Balance at 31 March 2019		(14,543)	(157,222)	(136,338)	(33,367)	(207,082)	(124,272)	**(672,823)**	(1,988,090)	**(2,660,913)**
Movement in reserves during 2019/20										
(Surplus) or deficit on the provision of services	*CIES*	360		(35,071)				**(34,711)**		**(34,711)**
Other Comprehensive Income / Expenditure	*CIES*								(42,471)	**(42,471)**
Total Comprehensive Income and Expenditure		**360**		**(35,071)**				**(34,711)**	**(42,471)**	**(77,182)**
Adjustments between accounting basis and funding basis under regulations	*9*	(12,087)		41,108	3,383	27,472	(15,545)	**44,331**	(44,331)	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**(11,727)**		**6,037**	**3,383**	**27,472**	**(15,545)**	**9,620**	**(86,802)**	**(77,182)**
Transfers to / from Earmarked Reserves	*13*	11,908	(11,908)					**0**	0	**0**
(Increase) or Decrease in 2019/20		**181**	**(11,908)**	**6,037**	**3,383**	**27,472**	**(15,545)**	**9,620**	**(86,802)**	**(77,182)**
Balance at 31 March 2020		**(14,362)**	**(169,130)**	**(130,301)**	**(29,984)**	**(179,610)**	**(139,817)**	**(663,204)**	**(2,074,892)**	**(2,738,096)**

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018		(14,509)	(161,221)	(132,765)	(36,980)	(200,256)	(110,647)	**(656,375)**	(1,699,862)	**(2,356,237)**
Movement in reserves during 2018/19										
Surplus or deficit on the provision of services	*CIES*	89,835		(43,479)				**46,356**		**46,356**
Other Comprehensive Income / Expenditure	*CIES*								(351,032)	**(351,032)**
Total Comprehensive Income and Expenditure		**89,835**		**(43,479)**				**46,356**	**(351,032)**	**(304,676)**
Adjustments between accounting basis and funding basis under regulations	*9*	(85,873)		39,906	3,613	(6,826)	(13,625)	**(62,805)**	62,805	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**3,962**		**(3,573)**	**3,613**	**(6,826)**	**(13,625)**	**(16,449)**	**(288,227)**	**(304,676)**
Transfers to / from Earmarked Reserves	*13*	(3,999)	3,999					**0**	0	**0**
Increase or Decrease in 2018/19		**(37)**	**3,999**	**(3,573)**	**3,613**	**(6,826)**	**(13,625)**	**(16,449)**	**(288,227)**	**(304,676)**
Balance at 31 March 2019		**(14,543)**	**(157,222)**	**(136,338)**	**(33,367)**	**(207,082)**	**(124,272)**	**(672,823)**	**(1,988,090)**	**(2,660,913)**

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.

2018/19 £000	*Notes*		**2019/20 £000**
46,356		Net (surplus) or deficit on the provision of services	(34,711)
(198,789)		Adjustment to surplus or deficit on the provision of services for noncash movements	(138,787)
77,349		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	122,545
(75,084)	*28*	**Net cash flows from operating activities**	**(50,953)**
26,311	*29*	Net cash flows from investing activities	39,754
15,405	*30*	Net cash flows from financing activities	20,331
(33,368)		**Net (increase) or decrease in cash and cash equivalents**	**9,132**
40,477		Cash and cash equivalents at the beginning of the reporting period	73,845
73,845	*22*	**Cash and cash equivalents at the end of the reporting period**	**64,713**

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its year end position at 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC).
- Relevant statutory guidance issued by Government.

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

1.2 Going Concern

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

The two lockdown periods put in place by the government to protect the economy, the vulnerable and the NHS have required an urgent response from the Council to put in place provisions which support residents and businesses. It is extremely difficult to scope the long-term impact of the current crisis or how Government funding may change to reflect its impact, however the Council have identified the following areas as being most impacted: Service pressures on adults', public health, children's, infrastructure and economic support services are likely to sustain beyond the immediate pandemic and Council Tax, Business Rates and income from fees and charges are under long term threat. The Council has identified that Covid-19 related increased spend and lost income could total £44 million in year, excluding any Council Tax and Business Rates losses. Government has committed funding to the Council so far of £22 million and has announced further funding in relation to income losses that could be up to £12 million. Any remaining funding shortfall will be drawn in the short term from the Financial Resilience Reserve (current balance £56 million). Other earmarked reserve balances total £105 million.

The Council has undertaken cash flow modelling through to March 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum headroom in excess of £200m in 2020/21 and £150m in 2021/22.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £426.4 million at 21 October 2020 and the overall limit for total borrowing under the Treasury Management Policy 2020/21 of up to £108m in 2020/21 (long term borrowing estimated for the end of 2020/21 is approximately £69m). This demonstrates that the Council has sufficient liquidity over the same period as it is not expected for any new short-term borrowing to occur in 2020/21 or 2021/22.

1.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Income

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

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

Expenditure

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

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

Interest

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtor and creditor balances (accrual policy)

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

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

<u>Utility payments</u>

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.

<u>Income from Penalty Charge Notices (PCNs)</u>

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.

<u>De Minimis levels</u>

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year end to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and was set at £10k for 2019/20.

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

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

<u>Revenue from contracts with service recipients</u>

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

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

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

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

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

Income from non-exchange transactions (Government grants and contributions, Council Tax and Non-Domestic Rates) is separately disclosed in the financial statements and does not fall within the disclosure requirements of IFRS 15.

1.4 Cash and Cash Equivalents.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

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

1.5 Long term non-monetary assets

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

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

These de minimis levels are not applied where assets are financed by grants or contributions that are below these levels but are required to be applied to capital expenditure. These levels were changed from 2018/19 and accounting for assets is detailed further in section 1.7.

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.

<u>Accounting for Assets</u>

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

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

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

- The method of calculating depreciation for Vehicles, Plant and Equipment was changed from a reducing balance method to a straight-line method over the useful life of the asset. This aligned the accounting treatment with the other asset classes.

These revisions still apply for 2019/20.

1.8 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account (CAA) in the MiRS for the difference between the two.

1.9 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and any non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The National Health Service (NHS) Pension Scheme administered by NHS Pensions.
- The Local Government Pension Scheme (LGPS), administered by the Council, or for some employees by the London Pension Fund Authority (LPFA).

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. Education and Children's Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The relevant service line(s) in the CIES are charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension 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 the Merill Lynch AA rated corporate bond curve.

The assets of the Pension Fund are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension's liability is analysed into 7 components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the CIES.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on Provision of Services in the CIES.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.10 Fair value measurement

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

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

The fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

Inputs to the valuation techniques are categorised within the fair value hierarchy, as follows:

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

1.11 Financial Instruments

Financial Liabilities

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

For most borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are generally classified into two types:

- Amortised Cost – assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The asset is held within a business model with the objective of collecting contractual cash flows and not for trading.
- Fair Value through Profit or Loss - assets that do not meet the amortised cost definition of cash flows that are solely payments of principal and interest and are held within a business model with the objective of collecting contractual cash flows and not for trading.

In Wandsworth financial assets that were previously loans and receivables are now amortised cost and those that were available for sale are now fair value through profit and loss.

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.

<u>Fair Value through Profit and Loss</u>

Fair Value through profit and loss assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The fair value measurements of the financial assets are based on the following principles:

- Instruments with quoted market prices - the market price.
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

For Pooled Investment Funds the government has introduced a regulation to mitigate the effects of changes in fair value on the Council Tax payer for a period of 5 years from 1 April 2018. Changes in fair value are transferred from the CIES to an account established solely for this purpose on the Balance Sheet. This account is called the Pooled Investment Funds Adjustment Account.

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

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

<u>Expected credit loss model</u>

The authority recognises expected credit losses on financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The authority does not anticipate any losses on transactions with any public sector body (central or local government, joint committees, waste authorities, NHS etc) as they are backed by the government, or where sufficient security has been provided (e.g. charge on a property for social care debt).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority assesses small value similar loans as a group to avoid undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis.

Foreign Currency Translation

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

1.12 Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the CAA. Amounts in the Capital Grants Unapplied Reserve are transferred to the CAA once they have been applied to fund capital expenditure.

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

Community Infrastructure Levy (CIL)

The Council has elected to charge a CIL. The levy commenced on 1 November 2012 and is charged on any development over 100 square metres, at differential rates depending on location in the borough, with the appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund the provision, improvement, replacement, operation or maintenance of infrastructure (to include transport, schools, public health care facilities, public open space and leisure provision) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for Government grants and contributions set out above.

In addition, the Council collects a separate CIL on behalf of the Mayor of London. This is payable to Transport for London (TfL), except for a 4% administration fee which is credited to the CIES.

1.13 Heritage Assets

The value of the Council's heritage assets relates to Civic Regalia. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The Civic Regalia are reported in the Balance Sheet at the insurance valuation which is based on market values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or when doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the general policy on impairment

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

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

1.16 Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the MiRS and posted to the CAA and (for any sale proceeds greater than £10k) the CRR.

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

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

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

No finance leases are currently held.

<u>Operating Leases</u>

<u>The Council as Lessee</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).

The Council as Lessor

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

1.19 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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 and community assets and assets under construction – depreciated historical cost.
- Operational assets – determined using the basis of existing use value or depreciated replacement cost.
- Surplus assets - fair value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but not less frequently than every 5 years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

The Council's freehold and leasehold properties have been valued by the external valuers identified below.

- Valuations of HRA dwellings, garages and hostel accommodation have been carried out by members of the Royal Institute of Chartered Surveyors (RICS) employed by Wilks Head and Eve in accordance with the advice set out in the "Guidance on Stock Valuation for Resource Accounting".

- Valuations of other operational and investment properties were carried out by members of the RICS employed by Wilks Head and Eve in accordance with the Appraisal and Valuation Standards of RICS. Not all the properties were inspected as this was neither practicable nor considered by the Borough Valuer to be necessary for the purpose of the valuations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition, and where an asset’s net book value falls below £25k, the remaining depreciation is charged to the Comprehensive Income and Expenditure Account and the item is removed from the Balance Sheet.

Depreciation is calculated on the following bases:

- Operational property assets – assets with an opening Balance Sheet depreciable value of more than £1m are depreciated in accordance with the estimated life of the major components, and those with a value of less than £1m to reflect the overall estimated average useful life of the asset.
- HRA Assets – depreciated based on the componentised weighted remaining useful life of beacon properties.
- Vehicles, plant and equipment – straight-line allocation over expected life of the asset.

- Infrastructure – straight-line allocation over 20 years.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the 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.

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 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 (HMRC). 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 holds all local authority maintained schools on the Balance Sheet. This includes foundation schools where the risks and reward of ownership are considered to lie with the Council. Voluntary aided schools are excluded from the Balance Sheet as the Council does not have the level of control over the sites to recognise them as assets. Academies are also excluded. Capital expenditure on schools not on the Council's Balance Sheet, such as voluntary aided schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS). This represents capital spend relating to assets not owned by the Council and is reported through the CIES.

1.24 Council Tax and Business Rates

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

Accounting for Council Tax and Business Rates

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

1.25 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of Accounts is authorised for issue. 2 types of events can be identified:

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

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

Note 2 - Accounting Standards Issued, Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully by the Council in the 2020/21 financial statements. The Council is required to disclose information relating to the expected impact of the accounting changes on the financial statements because of adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council.

IAS 19 – Employee Benefits

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

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

IFRS 16 – Leases

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

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 about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.

The Council has a 100% owned subsidiary, Wandsworth BC Trading Limited. However the turnover of the subsidiary is not sufficiently material to include in the Council's Group Accounts. In order to ensure compliance with the Code, narrative disclosures have been made in Note 40 and Note 48.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are a number of items in the Council's Balance Sheet at 31 March for which there is a significant risk of material adjustment in the forthcoming financial year:

Property, Plant and Equipment

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the 5 year period. Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls. A 1% increase in depreciation has an impact of £0.361m.

The World Health Organisation declared the coronavirus outbreak as a global pandemic on 11 March 2020. Travel restrictions have been implemented by many countries and as a result, business volumes have declined dramatically and economies have shrunk temporarily. Market activity has also been impacted in many sectors. In accordance with RICS guidance, current valuations are subject to 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global). The Council's External Valuer (Wilks Head and Eve) issued a supplementary review to confirm the values were correct as at 31 March but added the following commentary relating to the current market conditions, "As the outbreak of the Covid-19 has created significant uncertainty in the market… we are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty – and a higher degree of caution – should be attached to our review/valuation than would normally be the case".

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

Provisions

At 31 March 2019, the Council had a provision of £9.5m (£9.4m in 2018/19) based on claims lodged with, and values estimated by, the Council's insurer. The Council is responsible for funding claims up to high levels of excesses as shown in the note on Provisions. It is not certain that all claims for past incidents have been received by the Council. An increase in claims, either in value or volume, in excess of the provision made would be met by amounts set aside in the Insurance Reserve. The adequacy of the amounts set aside, either as a provision or reserve, are subject to external actuarial review on a regular basis. A 1% change in the value of claims would have an impact of £0.1m.

<u>Pensions Liability</u>

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £66m. However, the assumptions interact in complex ways. During 2019/20, the Council's Actuary advised that the net pensions liability had reduced by £19.9m mainly due to changes in the financial assumptions. The impact of changes in assumptions is detailed in note 44.

<u>Arrears</u>

At 31 March 2020, the Council had debtors for a range of Council functions. These debts are reviewed annually and provisions made principally based on the type and age of debt, and taking into consideration the current economic climate. A prudent approach has been taken in setting sums aside with these factors in mind and this year also includes different levels for different types of debt.

Note 5 - Material Items of Income and Expense

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2019/20 the following material items were reported as part of the accounts:

- Two grants from Government in relation to the Covid-19 pandemic totalling £15.3m were received before 31 March 2020.
    - £6.5m was received (from a £1.8bn total national allocation) in the form of Section 31 grants.
    - £8.8m was also received (from a £1.6bn total allocation) to help Councils respond to other Covid-19 related pressures including increasing support for the adult social care workforce and for services helping the most vulnerable, including homeless people.

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

- General Fund capital expenditure included spend of £29.9m on the Sergeant Industrial Estate, a site of strategic value to the Council. In the short term this will be managed commercially and generate revenue rental income for the General Fund.

  General Fund capital receipts totalling £1m were received in 2019/20 (£9.9m in 2018/19). HRA capital receipts totalling £26.1m were received in 2019/20 (£25.6m in 2018/19) including £8.5m Right to Buy sales (£9.2m in 2018/19), of which £2.6m were required to be pooled to Government under statutory requirements.

  A capital grant of £11.8m (£14.0m in 2018/19) was received from Government for transfer to the Royal College of Art contributing towards their new Battersea campus. £12.1m (£4.4m in 2018/19) was transferred to the Royal College of Art. As at 31 March 2020 £15.4m (£15.7m as at 31 March 2019) is held in balance for the Royal College of Art.

- From developments within the Nine Elms area the Council receives receipts from developers on an irregular basis which in part fund the Northern Line extension. A large amount of these payments were paid to the Greater London Authority (GLA) and TfL.

This year the Council received £0.5m in relation to a deed of agreement from Battersea Power Station (£42.9m in 2018/19) and made a payment to the GLA of £0.5m (£43.5m in 2018/19). The Council also received £14.6m of Community Infrastructure Levy (CIL) from Battersea Power Station and £9.0m in Section 106 (S106) income from the South London Mail centre site.

- The Council is part of a joint venture with Taylor Wimpey for the regeneration of Winstanley and York Road. As at 31 March 2020, the Council recognises £32.3m of investments with the joint venture company (£21.6m as at 31 March 2019). The joint venture is shown in consolidated Group Accounts starting at page 95.

Note 6 - Events After the Balance Sheet Date

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

Note 7 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) is presented to demonstrate how the funding available to the Council (i.e. Government Grants, rents, Council Tax and Business Rates) has been used in providing services in comparison with those resources consumed by authorities in accordance with the Code.

Net Expenditure Chargeable to the General Fund and HRA Balance	Represented 2018/19 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balance	2019/20 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
77,321	4,094	81,415	Adult Care and Health	75,689	5,275	80,964
32,255	683	32,938	Community Services and Open Spaces	31,969	1,785	33,754
91,121	27,334	118,455	Education and Children's Services	84,792	26,372	111,164
(15,374)	39,575	24,201	Finance and Corporate Resources	(18,219)	26,325	8,106
6,140	1,158	7,298	Housing and Regeneration	7,342	1,457	8,799
0	(5,394)	(5,394)	Housing Revenue Account	0	(7,408)	(7,408)
3,155	329	3,484	Strategic Planning and Transportation	1,213	(12)	1,201
194,618	**67,779**	**262,397**	**Net Cost of Services**	**182,786**	**53,794**	**236,580**
(194,655)	(21,386)	(216,041)	Other Income and Expenditure	(182,605)	(88,686)	(271,291)
(37)	**46,393**	**46,356**	**Surplus or Deficit on Provision of Services**	**181**	**(34,892)**	**(34,711)**
(308,490)			Opening Combined General Fund and HRA Balance	(308,101)		
(37)			Plus / less Surplus or Deficit on the General Fund	181		
(3,573)			Plus / less Surplus or Deficit on the HRA	6,037		
3,999			Plus / less Movement to Earmarked Reserves	(11,908)		
(308,101)			**Closing Combined General Fund and HRA Balance**	**(313,791)**		

Note 7a - Note to the Expenditure and Funding Analysis

	2019/20			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adult Care and Health	2,093	2,539	643	5,275
Community Services and Open Spaces	1,325	596	(136)	1,785
Education and Children's Services	10,864	15,963	(455)	26,372
Finance and Corporate Resources	(331)	3,479	23,177	26,325
Housing and Regeneration	413	912	132	1,457
Housing Revenue Account	31,421	3,343	(42,172)	(7,408)
Strategic Planning and Transportation	(73)	1,255	(1,194)	(12)
Net Cost of Services	**45,712**	**28,087**	**(20,005)**	**53,794**
Other Income and Expenditure	0	5,796	(94,482)	(88,686)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**45,712**	**33,883**	**(114,487)**	**(34,892)**

	Represented 2018/19			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adult Care and Health	1,010	2,244	840	4,094
Community Services and Open Spaces	624	543	(484)	683
Education and Children's Services	11,492	14,916	926	27,334
Finance and Corporate Resources	1,620	13,966	23,989	39,575
Housing and Regeneration	301	854	3	1,158
Housing Revenue Account	38,699	4,609	(48,702)	(5,394)
Strategic Planning and Transportation	489	1,147	(1,307)	329
Net Cost of Services	**54,235**	**38,279**	**(24,735)**	**67,779**
Other Income and Expenditure	0	8,121	(29,507)	(21,386)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**54,235**	**46,400**	**(54,242)**	**46,393**

Note 8 - Expenditure and Income Analysed by Nature

Re-presented 2018/19 £000	Nature of Expenditure or Income	2019/20 £000
(269,150)	Fees, charges and other service income	(269,028)
(10,997)	Interest and investment income	(16,237)
(164,944)	Income from local taxation	(165,527)
(557,432)	Government grants and contributions	(529,390)
282,199	Employee benefits expenses	275,273
56,824	Support service recharge expenditure	53,928
592,328	Other service expenses	528,030
88,671	Depreciation, amortisation and impairment	74,286
10,083	Interest payments	7,464
5,286	Precepts and levies	4,913
2,151	Payments to Housing Capital Receipts Pool	2,593
9,651	Gain or loss on disposal of non-current assets	(7,938)
1,697	Movements in fair value of financial instruments	6,922
46,367	**Surplus or Deficit for Year**	**(34,711)**

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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2019/2020	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs 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)	(29,908)	(3,975)				33,883
Changes in fair value of pooled investments	(6,922)					6,922
Council Tax and NDR (transfers to or from the Collection Fund)	(3,036)					3,036
Holiday pay (transferred to the Accumulated Absences reserve)	(132)	83				49
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)	29,312	(53,841)			(95,122)	119,651
Total Adjustments to Revenue Resources	(10,686)	(57,733)	0	0	(95,122)	163,541
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	780	26,642	(27,422)			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(103)	103			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,593)		2,593			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		21,874		(21,874)		
Borrowing or liabilities met from the Housing Revenue Account		50,428				(50,428)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	407					(407)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5					(5)
Total Adjustments between Revenue and Capital Resources	(1,401)	98,841	(24,726)	(21,874)	0	(50,840)
Use of the Capital Receipts Reserve to finance capital expenditure			28,396			(28,396)
Capital Receipts debited to the Capital Adjustment Account on Repayment of loans			(287)			287
Use of the Major Repairs Reserve to finance new capital expenditure				49,345		(49,345)
Application of capital grants to finance capital expenditure					79,577	(79,577)
Total Adjustments to Capital Resources	0	0	28,109	49,345	79,577	(157,031)
Total Adjustments	**(12,087)**	**41,108**	**3,383**	**27,472**	**(15,545)**	**(44,331)**

2018/2019	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources</u>						
Pension cost (transferred to (or from) the Pensions Reserve)	(40,813)	(5,587)				46,400
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(1,697)					1,697
Council Tax and NDR (transfers to or from the Collection Fund)	2,627					(2,627)
Holiday pay (transferred to the Accumulated Absences reserve)	309	102				(411)
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)	(45,266)	(51,670)			(46,379)	143,315
Total Adjustments to Revenue Resources	(84,840)	(57,155)	0	0	(46,379)	188,374
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	646	30,323	(30,969)			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(114)	114			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,151)		2,151			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		20,798		(20,798)		
Borrowing or liabilities met from the Housing Revenue Account		46,054				(46,054)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	205					(205)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	267					(267)
Total Adjustments between Revenue and Capital Resources	(1,033)	97,061	(28,704)	(20,798)	0	(46,526)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			41,541			(41,541)
Capital Receipts on loan repayments debited to the capital adjustment account			(549)			549
Use of the Major Repairs Reserve to finance new capital expenditure				13,972		(13,972)
Application of capital grants to finance capital expenditure					32,754	(32,754)
Cash payments in relation to deferred capital receipts			(8,675)			8,675
Total Adjustments to Capital Resources	0	0	32,317	13,972	32,754	(79,043)
Total Adjustments	**(85,873)**	**39,906**	**3,613**	**(6,826)**	**(13,625)**	**62,805**

Note 10 - Other Operating Expenditure

2018/19 £000		2019/20 £000
5,286	Levies	4,913
2,151	Payments to the Government Housing Capital Receipts Pool	2,593
9,651	Gains/losses on the Disposal of Non-Current Assets	(7,938)
(58)	Other	0
17,031	**Total Other Operating Expenditure**	**(432)**

Note 11 - Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
1,962	Interest payable and similar charges	1,668
8,121	Net interest on the net defined benefit liability (asset)	5,796
(7,948)	Interest receivable and similar income	(10,846)
(3,363)	Income and expenditure in relation to investment properties and changes in their fair value	(4,886)
748	Movements in fair value of financial instruments	6,922
1,262	Other investment income and expenditure	(504)
782	**Total**	**(1,850)**

Note 12 - Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
(60,738)	Council Tax income	(61,465)
(104,206)	Non-domestic rates income and expenditure	(104,062)
(32,374)	Non-ringfenced government grants	(28,142)
(36,536)	Capital grants and contributions	(75,340)
(233,855)	**Total**	**(269,009)**

Note 13 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Financial Resilience Reserve	(37,252)	(3,279)	1,200	**(39,331)**	(11,114)	1,200	**(49,245)**
Pensions Resilience Reserve	(43,424)	0	0	**(43,424)**	0	0	**(43,424)**
Renewals Fund	(28,889)	0	288	**(28,601)**	0	1,449	**(27,152)**
Service Transformation Reserve	(15,614)	0	1,781	**(13,833)**	0	1,131	**(12,702)**
Education Balances	(14,219)	(18,696)	21,624	**(11,291)**	(10,314)	11,709	**(9,896)**
Insurance Reserve	(7,053)	0	0	**(7,053)**	0	0	**(7,053)**
Business Rates Volatility Reserve	(6,072)	0	0	**(6,072)**	0	0	**(6,072)**
DSOs Reserve	(6,154)	(354)	1,615	**(4,893)**	(760)	232	**(5,421)**
Covid-19 Support Grant Reserve	0	0	0	**0**	(5,450)	0	**(5,450)**
Finite Services Fund	(1,410)	0	0	**(1,410)**	0	0	**(1,410)**
Specific Grant Reserve	(1,000)	0	0	**(1,000)**	0	0	**(1,000)**
Other	(134)	(682)	502	**(314)**	(532)	541	**(305)**
Total General Fund	**(161,221)**	**(23,011)**	**27,010**	**(157,222)**	**(28,170)**	**16,262**	**(169,130)**

Note 14 - Property, Plant and Equipment

Movements to 31 March 2020

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
at 1 April 2019	1,363,215	989,770	26,163	144,263	20,160	0	**2,543,571**
Additions	89,825	38,817	612	10,351	630	170	**140,405**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30,425	(30,362)	0	0	0	0	**63**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(26,215)	(17,840)	(1,184)	0	0	0	**(45,239)**
Derecognition – disposals	(6,726)	(12,655)	0	0	0	0	**(19,381)**
Reclassifications and transfer	0	(17,606)	0	0	0	21,741	**4,135**
at 31 March 2020	**1,450,524**	**950,124**	**25,591**	**154,614**	**20,790**	**21,911**	**2,623,554**
Accumulated Depreciation and Impairment							
at 1 April 2019	180	(381)	(18,996)	(56,088)	0	0	**(75,285)**
Depreciation charge	(20,558)	(7,443)	(583)	(7,498)	0	0	**(36,082)**
Depreciation written out to the Revaluation Reserve	15,428	6,545	0	0	0	0	**21,973**
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,951	1,130	1,040	0	0	0	**7,121**
at 31 March 2020	**1**	**(149)**	**(18,539)**	**(63,586)**	**0**	**0**	**(82,273)**
Net Book Value							
at 31 March 2020	**1,450,525**	**949,975**	**7,052**	**91,028**	**20,790**	**21,911**	**2,541,281**
at 31 March 2019	**1,363,395**	**989,388**	**7,168**	**88,175**	**20,160**	**0**	**2,468,286**

Movements to 31 March 2019

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
at 1 April 2018	1,347,945	805,635	22,914	133,922	19,349	0	**2,329,764**
Additions	68,770	13,879	3,249	10,341	811	0	**97,051**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,799	195,026	0	0	0	0	**203,825**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(37,853)	(19,832)	0	0	0	0	**(57,685)**
Derecognition – disposals	(6,161)	(33,886)	0	0	0	0	**(40,047)**
Reclassifications and transfer	(18,286)	18,286	0	0	0	0	**0**
Assets reclassified (to)/from Held for Sale	0	10,662	0	0	0	0	**10,662**
at 31 March 2019	**1,363,215**	**989,770**	**26,163**	**144,263**	**20,160**	**0**	**2,543,571**
Accumulated Depreciation and Impairment							
at 1 April 2018	0	(42)	(18,743)	(48,599)	0	0	**(67,384)**
Depreciation charge	(19,627)	(10,987)	(252)	(7,489)	0	0	**(38,356)**
Depreciation written out to the Revaluation Reserve	12,983	10,073	0	0	0	0	**23,056**
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,825	574	0	0	0	0	**7,399**
at 31 March 2019	**180**	**(381)**	**(18,996)**	**(56,088)**	**0**	**0**	**(75,285)**
Net Book Value							
at 31 March 2019	**1,363,395**	**989,388**	**7,168**	**88,175**	**20,160**	**0**	**2,468,286**
at 31 March 2018	**1,347,945**	**805,593**	**4,171**	**85,323**	**19,349**	**0**	**2,262,381**

Capital Commitments

At 31 March 2020, the Council had entered into a number of on-going contracts for the construction or enhancement of property, plant and equipment. The table below shows the details of outstanding contractual commitments over £0.5m.

Capital Scheme	**2019/20** **£000**
Shuttleworth Road site development	24,279
Winstanley and York Road Regeneration	4,717
St Cecilia's School expansion	4,281
Chestnut Grove School expansion	3,749
Alton Regeneration	3,135
Deeley Road/Tidbury Court/Thessaly Road site development	2,998
Aldrington/Streatham Park site development	1,985
Brandlehow Primary School	1,581
Sudbury House (works to cladding including window replacement)	1,567
Ethelburga Estate Phase 2 (external decoration, windows, roofing)	1,529
Patmore Estate Phase 4 (roof renewals, external decoration)	1,354
1-8 Arnal Crescent site development	1,103
Ark Putney Academy	961
Stag House site development	937
Sheridan House (roof renewal, windows, external decoration)	675
Ashburton Estate - Innes Gardens Phase 2 (roof renewal)	667
Kirton Lodge (roof & window renewals, access improvements)	596
Castlemaine (work to cladding panels including window replacement)	564
Alton Estate C Block (external decorations, roofing)	534
	57,212

Revaluations

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the 5 year period.

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

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

Valuations of land and buildings were carried out in accordance with the methodologies and basis of estimation set out in the professional standards of RICS.

Note 15 - Heritage Assets

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

There is no formal policy for the acquisition, preservation, management and disposal of civic regalia. The Council would however have regard to upholding the dignity of the Office of the Mayor.

Various items have mainly been presented to the Council by well wishers or external bodies. Items have rarely been purchased, and there are no records of any disposals. The assets are stored either in the vault or in the Mayor’s parlour. Some will be on display on big occasions.

The insurance listing constitutes a register of the assets and the assets are measured at valuation and are not subject to depreciation. The valuations are at retail replacement value for insurance purposes as at 7 March 2019. They were carried out by JEMS, a firm of independent specialist appraisers and international jewellery consultants. The latest valuation resulted in a £0.603m increase to the carrying value of the heritage assets.

The Council is of the opinion that the costs of identifying and obtaining valuations for other potential heritage assets, such as the statue of King Edward VII at Tooting Broadway Underground Station, statues and sculptures in parks and open spaces and other artefacts held, would be disproportionate in terms of the benefits derived by the users of the Accounts.

Note 16 - Investment Properties

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

31 March 2019 £000	**Investment Property Income and Expenditure**	**31 March 2020 £000**
(3,710)	Rental income from investment property	(3,493)
(3,710)	**Net (gain)/loss**	**(3,493)**

There are no restrictions on the Council’s ability to realise the value inherent in its investment property or on the Council’s right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

31 March 2019 Non-Current £000	Investment Properties Movements in Year	31 March 2020 Non-Current £000
58,866	Opening Balance	58,632
113	Subsequent expenditure	50
(1,292)	Disposals	0
944	Net gains/losses from fair value adjustments	1,393
0	Transfers to/from Property Plant and Equipment	(4,135)
58,632	**Balance at the end of the year**	**55,940**

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

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

Note 17 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, usually 4 or 5 years, based on assessments of the period that the software is expected to be of use to the Council.

No new intangible assets were jointly acquired with LB Richmond in 2019/20 or 2018/19.

Note 18 - Inventories

	Consumable Stores		Work in Progress		Total	
	2018/19 £000	**2019/20 £000**	**2018/19 £000**	**2019/20 £000**	**2018/19 £000**	**2019/20 £000**
Balance outstanding at start of year	450	620	2,788	1,795	**3,238**	**2,415**
Purchases	1,801	3,140	989	1,533	**2,790**	**4,673**
Recognised as an expense in the year	(1,631)	(2,995)	(1,982)	(1,613)	**(3,613)**	**(4,608)**
Balance Outstanding at Year End	**620**	**765**	**1,795**	**1,715**	**2,415**	**2,480**

Note 19 - Financial Instruments

	Non-Current Financial Assets				
	Investments		**Debtors**		**Total**
	31 March 2019 £000	**31 March 2020 £000**	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2020 £000**
Fair value through profit and loss	74,918	67,862	0	0	**67,862**
Amortised cost	50,603	57,300	22,451	33,539	**90,839**
Total financial assets	**125,522**	**125,162**	**22,451**	**33,539**	**158,701**

	Current Financial Assets				
	Investments		**Debtors**		**Total**
	31 March 2019 £000	**31 March 2020 £000**	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2020 £000**
Amortised cost	406,182	415,214	50,009	55,495	**470,709**
Total financial assets	**406,182**	**415,214**	**50,009**	**55,495**	**470,709**

	Non-Current Financial Liabilities				
	Borrowings		**Creditors**		**Total**
	31 March 2019 £000	**31 March 2020 £000**	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2020 £000**
Amortised cost	(86,009)	(68,207)	(21,642)	(32,880)	(101,087)
Total financial liabilities	**(86,009)**	**(68,207)**	**(21,642)**	**(32,880)**	**(101,087)**

	Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Amortised cost	(17,999)	(18,501)	(85,641)	(101,638)	(120,139)
Total financial liabilities	**(17,999)**	**(18,501)**	**(85,641)**	**(101,638)**	**(120,139)**

	Income, Expense, Gains and Losses	
	Surplus or Deficit on the Provision of Services 31 March 2019 £000	Surplus or Deficit on the Provision of Services 31 March 2020 £000
Net gains/losses on:		
Financial assets measured at fair value through profit or loss	748	6,922
Total net gains/losses	**748**	**6,922**
Interest revenue:		
Financial assets measured at amortised cost	(7,948)	(10,846)
Total interest revenue	**(7,948)**	**(10,846)**
Interest expense	1,962	1,668

Note 20 - Debtors

31 March 2019 £000		31 March 2020 £000
45,825	Trade Receivables	76,833
925	Prepayments	3,089
21,704	Housing Benefits	19,192
12,292	Other Local Authorities	15,444
3,022	Other Entities and Individuals	8,642
9,709	NHS Bodies	6,422
15,769	Central Government	4,447
109,246	**Total**	**134,069**

Note 21 - Debtors for Local Taxation

31 March 2019 £000		31 March 2020 £000
162	Less than 3 months	172
311	Three to 6 months	515
665	6 months to 1 year	1,030
2,034	More than 1 year	2,540
3,172	**Total**	**4,257**

Note 22 - Cash and Cash Equivalents

31 March 2019 £000		31 March 2020 £000
3,955	Cash and Bank balances	2,594
69,891	Short Term Deposits	62,119
73,845	**Total Cash and Cash Equivalents**	**64,713**

Note 23 - Assets Held for Sale

Current 31 March 2019 £000		Current 31 March 2020 £000
12,012	Balance outstanding at start of year	948
58	Revaluation losses	
(459)	Assets sold	0
(10,662)	Transfers	0
948	**Balance Outstanding year end**	**948**

Note 24 - Creditors

31 March 2019 £000		31 March 2020 £000
(27,333)	Trade payables	(21,398)
(15,042)	Central Government	(18,657)
(35,074)	Other Local Authorities	(15,112)
(452)	NHS Bodies	(1,132)
(120,063)	Other Entities and Individuals	(163,312)
(197,964)	**Total Creditors**	**(219,611)**

Note 25 - Provisions

Current Provisions

2019/20	Insurance Fund	Tree Root Claims	Business Rates Provision for Appeals	Other Provisions	Total
	£000	£000	£000	£000	£000
Opening Balance	(2,337)	(296)	(1,988)	(246)	(4,868)
Increase in provision during year	(4,269)	(18)	(187)	(13)	(4,487)
Utilised during year	4,139	0	1,112	164	5,415
Unused Amounts Reversed	0	0	0	83	83
Closing Balance	**(2,467)**	**(314)**	**(1,063)**	**(12)**	**(3,856)**

2018/19	Insurance Fund	Tree Root Claims	Business Rates Provision for Appeals	Other Provisions	Total
	£000	£000	£000	£000	£000
Opening Balance	(2,445)	(342)	(1,414)	(555)	(4,756)
Increase in provision during year	(3,703)	(95)	(1,931)	(164)	(5,893)
Utilised during year	3,812	551	1,357	242	5,962
Unused Amounts Reversed	0	0	0	230	230
Other movements	0	(411)	0	0	(411)
Closing Balance	**(2,337)**	**(296)**	**(1,988)**	**(246)**	**(4,868)**

Long Term Provisions

2019/20	Insurance Fund	Tree Root Claims	Other Provisions	Total
	£000	£000	£000	£000
Opening Balance	(7,042)	(2,668)	(81)	(9,791)
Increase in provision during year	0	(156)	0	(156)
Closing Balance	**(7,042)**	**(2,824)**	**(81)**	**(9,947)**

2018/19	Insurance Fund	Tree Root Claims	Other Provisions	Total
	£000	£000	£000	£000
Opening Balance	(6,398)	(3,079)	(81)	(9,557)
Increase in provision during year	(644)	0	0	(644)
Utilised during year	0	411	0	411
Closing Balance	**(7,042)**	**(2,668)**	**(81)**	**(9,791)**

Notes to the Provisions

The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £0.5m and property claims up to £50k of each loss. The provision is mainly based on advice from the Council's insurer. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.

The Council provides for claims resulting from damage caused by Council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.

The Council has made a provision for appeals lodged by Business Rate payers with the Valuation Office Agency (VOA) regarding the rateable value of properties, which have yet to be determined.

2018/19 £000	Total Provisions	2019/20 £000
(14,313)	Opening Balance	(14,658)
(6,537)	Increase in provision during year	(4,643)
6,372	Utilised during year	5,415
230	Unused Amounts Reversed	83
(411)	Other movements	0
(14,658)	**Closing Balance**	**(13,803)**

Note 26 - Usable Reserves

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

Capital Receipts Reserve

31 March 2019 £000		31 March 2020 £000
(36,980)	Balance 1 April	(33,367)
(30,969)	Capital Receipts in year	(27,422)
(8,675)	Deferred Receipts realised	0
2,151	Capital Receipts Pooled	2,593
114	Transfer to revenue reserves to cover disposal costs	103
(549)	Capital Receipts on Loan Repayment debited to the Capital Adjustment Account	(287)
41,541	Capital Receipts used for financing	28,396
(33,367)	**Balance 31 March**	**(29,984)**

Major Repairs Reserve

31 March 2019 £000		31 March 2020 £000
(200,257)	Balance 1 April	(207,083)
(20,798)	Depreciation and Amortisation	(21,874)
13,972	Application to finance capital expenditure	49,345
(207,083)	**Balance 31 March**	**(179,612)**

Capital Grants Unapplied

31 March 2019 £000		31 March 2020 £000
(110,647)	Balance 1 April	(124,272)
(46,379)	Capital grants recognised in year	(95,122)
32,754	Capital grants and contributions applied	79,577
(124,272)	**Balance 31 March**	**(139,817)**

Note 27 - Unusable Reserves

31 March 2019 £000		31 March 2020 £000
(832,208)	Revaluation Reserve	(838,563)
(1,406,713)	Capital Adjustment Account	(1,511,216)
250,549	Pension Reserve	264,599
(4)	Deferred Capital Receipts Reserve	(4)
(3,573)	Collection Fund Adjustment Account	(537)
4,010	Accumulated Absences Account	4,059
(151)	Pooled Investment Funds Adjustment Account	6,771
(1,988,090)	**Total**	**(2,074,892)**

Revaluation Reserve

31 March 2019 £000		31 March 2020 £000
(625,430)	**Balance 1 April**	(832,208)
(340,007)	Upward revaluation of assets	(157,939)
113,127	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	135,300
(226,880)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(22,639)**
7,822	Difference between fair value depreciation and historical cost depreciation	6,082
12,280	Accumulated gains on assets sold or scrapped	10,202
20,102	**Amount written off to the Capital Adjustment Account**	**16,284**
(832,208)	**Balance 31 March**	**(838,563)**

Capital Adjustment Account

31 March 2019 £000		31 March 2020 £000
(1,395,682)	**Balance 1 April**	(1,406,713)
39,233	Charges for depreciation and impairment of non-current assets	36,082
49,351	Revaluation losses on non-current assets	38,118
87	Amortisation of intangible assets	87
13,791	Revenue expenditure funded from capital under statute	27,377
41,798	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	19,381
144,260	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	121,045
(20,102)	Adjusting Amounts written out of the Revaluation Reserve	(16,284)
124,157	**Net written out amount of the cost of non-current assets consumed in the year**	104,761
(41,541)	Use of Capital Receipts Reserve to finance new capital expenditure	(28,396)
(13,972)	Use of Major Repairs Reserve to finance new capital expenditure	(49,345)
(32,754)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(79,577)
(205)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(407)
(267)	Capital expenditure charged against the General Fund and HRA balances	(5)
(88,739)	**Capital financing applied in year:**	(157,730)
(46,054)	Borrowing or liabilities met from the HRA	(50,428)
(944)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,393)
549	Capital Receipts debited to the Capital Adjustment Account on Repayment of loans	287
(1,406,713)	**Balance 31 March**	**(1,511,216)**

Pension Reserve

31 March 2019 £000		31 March 2020 £000
328,301	Balance 1 April	250,549
(124,152)	Remeasurements of the net defined benefit (liability)/asset	(19,833)
68,408	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	57,547
(22,008)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,664)
250,549	**Balance 31 March**	**264,599**

Deferred Capital Receipts Reserve

31 March 2019 £000		31 March 2020 £000
(8,679)	Balance 1 April	(4)
8,675	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(4)	**Balance 31 March**	**(4)**

Collection Fund Adjustment Account

31 March 2019 £000		31 March 2020 £000
(946)	Balance 1 April	(3,573)
(2,627)	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	3,036
(3,573)	**Balance 31 March**	**(537)**

Accumulated Absences Account

31 March 2019 £000		31 March 2020 £000
4,421	**Balance 1 April**	4,010
(4,421)	Settlement or cancellation of accrual made at the end of the preceding year	(4,010)
4,009	Amounts accrued at the end of the current year	4,059
(411)	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	49
4,010	**Balance 31 March**	**4,059**

Pooled Investment Funds Adjustment Account

31 March 2019 £000		31 March 2020 £000
0	**Balance 1 April**	(151)
(1,847)	Opening balance adjustments on adoption of IFRS9	0
(1,847)	**Revised Opening Balance**	(151)
1,697	Changes in fair value of pooled investments	6,922
(151)	**Balance 31 March**	**6,771**

Note 28 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2019 £000		31 March 2020 £000
(5,879)	Interest received	(8,814)
1,965	Interest paid	1,671
(3,914)	**Total**	**(7,143)**

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

31 March 2019 £000		31 March 2020 £000
(39,233)	Depreciation	(36,082)
(49,351)	Impairment and downward valuations	(38,118)
(87)	Amortisation	(87)
3,247	(Increase)/decrease in creditors	(33,271)
(24,196)	Increase/(decrease) in debtors	26,714
(822)	Increase/(decrease) in inventories	64
(46,400)	Movement in pension liability	(33,883)
(41,798)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(19,381)
(149)	Other non-cash movements charged to the surplus or deficit on provision of services	(4,743)
(198,789)	**Total**	**(138,787)**

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

31 March 2019 £000		31 March 2020 £000
30,969	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	27,422
46,380	Any other items for which the cash effects are investing or financing cash flows	95,123
77,349	**Total**	**122,545**

Note 29 - Cash Flow from Investing Activities

31 March 2019 £000		31 March 2020 £000
102,229	Purchase of property, plant and equipment, investment property and intangible assets	137,963
501,574	Purchase of short-term and long-term investments	375,800
110	Other payments for Investing activities	11,237
(39,644)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(27,422)
(483,645)	Proceeds from short-term and long-term investments	(362,168)
(54,313)	Other receipts from investing activities	(95,656)
26,311	**Net cash flows from investing activities**	**39,754**

Note 30 - Cash Flow from Financing Activities

31 March 2019 £000		31 March 2020 £000
(220)	Cash receipts of short-term and long-term borrowing	(560)
17,202	Repayments of short-term and long-term borrowing	17,857
(1,577)	Other payments for financing activities	3,034
15,405	**Net cash flows from financing activities**	**20,331**

Note 30a – Reconciliation of Liabilities from Financing Activities

	31 March 2019 £000	Financing cash flows £000	Other non-cash changes £000	31 March 2020 £000
Long-term borrowing	(86,009)	0	17,802	(68,207)
Short-term borrowing	(17,999)	17,297	(17,799)	(18,501)
Total liabilities from financing activities	**(104,008)**	**17,297**	**3**	**(86,708)**

Note 31 - Acquired and Discontinued Operations

None to report.

Note 32 - Trading Operations

The Council runs a building maintenance operation principally to repair and refurbish residential properties and Council operational buildings. The trading objective is to provide cost effective services to the Council and make a reasonable trading surplus to finance future plant and equipment investments.

2018/19 £000	Building Maintenance	2019/20 £000
(12,589)	Income	(13,210)
12,934	Expenditure	13,044
345	**Net Surplus / Deficit for Year**	**(166)**

The Council provides a range of highway related engineering services, covering scheme implementation and winter maintenance. The trading objective is to provide cost effective services to the Council and DSO and has a commitment to reduce service costs year on year in real terms.

2018/19 £000	Highways Maintenance	2019/20 £000
(7,974)	Income	(9,242)
8,759	Expenditure	8,799
785	**Net Surplus / Deficit for Year**	**(443)**

Other smaller trading accounts are grouped in the table below:

2018/19	All other small trading operations	2019/20
£000		**£000**
-6,749	Income	(6,188)
6,881	Expenditure	6,293
132	**Net Surplus / Deficit for Year**	**105**

Note 33 - 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. The most material grant awarded to Wandsworth to provide assistance to taxpayers was £58.2m for Business Support Grants. This was specifically grants of up to £25k for eligible retail, hospitality and leisure outlets and £10k for eligible small businesses. As councils are paying businesses the grant on behalf of Government and acting as an intermediary this has formed an agency relationship, with the Council being the agent and Government being the principal. When such arrangements exist the income and expenditure are not included as part of the Statement of Accounts.

Government paid the full £58.2m to Wandsworth on 1 April 2020 as detailed in Note 6. However, the Council began to pay the grants out to businesses in advance of the cash being received from the Government. In total the Council paid £5m to businesses pre 31 March 2020. Neither the £5m expenditure nor the equivalent portion of the grant has therefore formed part of the 2019/20 Statement of Accounts.

Thames Water

The Council carries out income collection services on behalf of Thames Water regarding the charging for the provision of water and sewerage services to its tenants. The commission received for this arrangement for 2019/20 was £1m (unchanged from 2018/19).

Note 34 - Pooled Budgets

Pooled funding Schemes are administered by Joint Commissioning Bodies (JCBs), whose purpose is to agree and monitor the funding and expenditure of each pooled budget area. This includes agreeing funding budgets each year and monitoring the expenditure against these quarterly, as well as agreeing appropriate service policies and actions and reporting on outturn positions. Representatives from each partner organisation attend the JCBs and reports are provided for discussion/information.

The Council has 2 pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2020. These are:

Better Care Fund (BCF) with Wandsworth Clinical Commissioning Group (Wandsworth CCG)

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, in

2015/16 the Council entered into a S75 agreement with Wandsworth CCG to establish a pooled fund. The fund is invested in a number of established and new local schemes to support all areas to implement the high impact change model for managing transfer of care. In addition, Wandsworth Council, receives Improved Better Care Fund (iBCF) and Winter Pressures grant funding. The former which is for meeting adult social care needs; reducing pressures on the NHS by improving the delay in discharges from hospital to care; and ensuring the local social care provider market is supported.

2018/19 £000	**Better Care Fund**	**2019/20 £000**
(18,962)	Authority Funding	(23,905)
(13,648)	Partner Funding	(14,450)
(32,610)	Total Pooled Funding	(38,355)
18,962	Authority Expenditure	23,905
13,648	Partner Expenditure	14,450
32,610	Expenditure	38,355
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Joint Integrated Community Equipment Service with St Georges University Hospitals Foundation Trust (St Georges) and Central London Community Healthcare (CLCH)

This scheme was established on 1 April 2005 to create an integrated service for the provision of community based equipment for people with disabilities. Following a reorganisation of health provision in October 2017 the scheme expanded to include CLCH as well as Wandsworth Council and St Georges. The net surplus of £0.3m (£0.2m in 2018/19) is attributable to the Council. The Council wrote back its surplus to the General Fund and all expenditure incurred by St Georges and CLCH was recovered in full.

2018/19 £000	**Joint Integrated Community Equipment Service**	**2019/20 £000**
(857)	Authority Funding	(1,421)
(1,336)	Partner Funding	(1,021)
(2,193)	Total Pooled Funding	(2,442)
693	Authority Expenditure	1,421
1,336	Partner Expenditure	758
2,029	Expenditure	2,179
(164)	**Net Surplus/Deficit on the Pooled Budget**	**(263)**
(164)	**Authority Share of the Net Surplus / Deficit**	**(263)**

Note 35 - Members' Allowances

The Council paid the following amounts to members of the Council during the year.

31 March 2019 £000		31 March 2020 £000
1,066	Allowances	1,084
1,066	**Total Members' Allowances**	1,084

Note 36 - Officers' Remuneration

The Council entered into the SSA with LB Richmond 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 Wandsworth's proportion of the salary costs with the remaining balance being charged to Richmond.

2019/2020	*Notes*	**Salary & Other Payments** £	**Employers Pension Contributions** £	**Total** £
Chief Executive - P. Martin	*1*	151,714	27,309	**179,023**
Director of Resources and Deputy Chief Executive – M. Maidment	*2*	137,421	24,736	**162,157**
Director of Children's Services - A. Popovici	*3*	89,986	16,198	**106,184**
Director of Children's Services - J. Johnson	*4*	118,152	20,955	**139,107**
Director of Housing & Regeneration - B. Reilly	*5*	133,319	23,997	**157,316**
Director of Environment & Community Services - P. Chadwick	*6*	115,361	20,765	**136,126**
Director of Adult Social Care & Public Health - E. Bruce	*7*	132,963	0	**132,963**
Deputy Director of Environment & Community Services - K. Power	*8*	112,571	19,869	**132,440**
Assistant Director (Commissioning & Quality Standards) - D. Oliver	*9*	95,292	17,153	**112,445**
Assistant Chief Executive (Policy and Performance)	*10*	88,248	15,885	**104,133**
Assistant Chief Executive (Customer and Partnerships)	*11*	77,083	13,709	**90,792**
Head of Service Family and Community Service – D. Owen	*12*	159,142	13,078	**172,220**
Assistant Director (Standards and Inclusion) - K. Bond	*12*	208,085	23,926	**232,011**
		1,619,337	237,580	**1,856,917**

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

Note 1 - The joint Chief Executive of LB Richmond and Wandsworth Council is the Head of the Paid Service. The Chief Executive's full year remuneration across the SSA in 2019/20 was £240,816 and the employers pension contributions were £43,347. The Chief Executive reduced his hours of work during the year.

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

Note 3 - The current Director of Children's Services commenced in post in September 2019 and is wholly funded by the Council.

Note 4 - The former Director of Children's Services left the Council in October 2019 and was wholly funded by the Council.

Note 5 - Director of Housing and Regeneration - total remuneration across the SSA in 2019/20 was £211,617 and the employers pension contributions were £38,091.

Note 6 - Director of Environment and Community Services - total remuneration across the SSA in 2019/20 was £183,113 and the employers pension contributions were £32,960.

Note 7 – Director of Adult Social Care and Public Health – total remuneration across the SSA in 2019/20 was £211,052.

Note 8 - Deputy Director of Environment and Community Services - total remuneration across the SSA in 2019/20 was £178,684 and the employers pension contributions were £31,538.

Note 9 - Assistant Director of Commissioning and Quality Standards - total remuneration across the SSA in 2019/20 was £151,257 and the employers pension contributions were £27,226.

Note 10 - Assistant Chief Executive (Policy and Performance) - total remuneration across the SSA in 2019/20 was £140,076 and the employer pension contributions were £25,214.

Note 11 - The Assistant Chief Executive (Customer and Partnerships) left the SSA in February 2020 - total remuneration across the SSA in 2019/20 was £122,354 and the employers pension contributions were £21,760.

Note 12 – The figures for these staff include severance payments that have been accounted for in 2019/20 and when combined with their salary are greater than £150,000.

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

The previous year's comparisons are as follows:

Re-Presented 2018/2019	Salary & Other Payments	Employers Pension Contributions	Total
	£	£	£
Chief Executive - P. Martin	161,034	28,986	**190,020**
Director of Resources and Deputy Chief Executive – M. Maidment	117,091	21,076	**138,167**
Director of Children's Services - J. Johnson	172,320	31,018	**203,338**
Director of Children's Services - D. Warwick	247,945	17,415	**265,360**
Director of Housing & Regeneration - B. Reilly	119,831	21,570	**141,401**
Director of Environment & Community Services - P. Chadwick	104,865	18,876	**123,741**
Director of Adult Social Services - E. Bruce	122,495	0	**122,495**
Deputy Director of Environment & Community Services - K. Power	95,534	17,196	**112,730**
Assistant Director (Commissioning & Quality Standards) - D. Oliver	85,482	15,387	**100,869**
Assistant Chief Executive (Policy and Performance)	67,669	12,180	**79,849**
Assistant Chief Executive (Customer and Partnerships)	73,453	13,222	**86,675**
Head of Service Family and Community Service – D. Owen	90,686	16,323	**107,009**
Assistant Director (Standards and Inclusion) - K. Bond	92,211	16,598	**108,809**
	1,550,616	229,847	**1,780,463**

Officer Remuneration

2018/19				2019/20		
Number of Employees				Number of Employees		
School Staff	Other Staff	Total		School Staff	Other Staff	Total
126	61	**187**	£50,001 to £55,000	99	87	**186**
51	29	**80**	£55,001 to £60,000	71	56	**127**
30	25	**55**	£60,001 to £65,000	43	23	**66**
22	7	**29**	£65,001 to £70,000	16	22	**38**
13	15	**28**	£70,001 to £75,000	14	13	**27**
18	16	**34**	£75,001 to £80,000	20	8	**28**
5	13	**18**	£80,001 to £85,000	11	10	**21**
4	5	**9**	£85,001 to £90,000	5	11	**16**
3	4	**7**	£90,001 to £95,000	2	8	**10**
8	1	**9**	£95,001 to £100,000	5	2	**7**
2	2	**4**	£100,001 to £105,000	3	0	**3**
0	0	**0**	£105,001 to £110,000	2	0	**2**
0	0	**0**	£110,001 to £115,000	0	1	**1**
1	2	**3**	£115,001 to £120,000	0	3	**3**
0	4	**4**	£120,001 to £125,000	1	1	**2**
0	0	**0**	£125,001 to £130,000	0	3	**3**
0	1	**1**	£130,001 to £135,000	0	2	**2**
0	0	**0**	£135,001 to £140,000	0	1	**1**
0	1	**1**	£140,001 to £145,000	0	0	**0**
0	0	**0**	£150,001 to £155,000	0	1	**1**
0	1	**1**	£155,001 to £160,000	0	1	**1**
0	1	**1**	£160,001 to £165,000	0	0	**0**
0	1	**1**	£170,001 to £175,000	0	0	**0**
0	0	**0**	£215,001 to £220,000	0	1	**1**
0	0	**0**	£220,001 to £225,000	0	1	**1**
0	1	**1**	£245,001 to £250,000	0	0	**0**
283	**190**	**473**	**Total**	**292**	**255**	**547**

The above table does not include employer’s pension contributions.

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	42	28	16	4	58	32	378,000	251,000
£20,001 - £40,000	16	7	1	1	17	8	466,000	239,000
£40,001 - £60,000	1	1	2	0	3	1	136,000	60,000
£60,001 - £80,000	0	2	1	3	1	5	77,000	351,000
£80,001 - £100,000	2	0	0	1	2	1	173,000	85,000
£100,001 - £150,000	0	2	1	0	1	2	101,000	226,000
£250,001 to £300,000	1	0	0	0	1	0	298,000	0
Total	**62**	**40**	**21**	**9**	**83**	**49**	**1,629,000**	**1,212,000**
Add: Amounts provided for in CIES not included in bandings							218,000	137,000
Total cost included in CIES							**1,847,000**	**1,349,000**

The total cost of £1.3m for 2019/20 (£1.8m in 2018/19) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year.

Note 37 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors.

2018/19		**2019/20**
£000		**£000**
122	*Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	92
35	Fees payable in respect of other services provided by external auditors during the year	37
157	**Total**	**129**

*The 2018/19 fee includes VAT and fees for the Pension Fund. The comparable figure to 2019/20 is £87k.

Note 38 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools and Early Years Finance (England) Regulations 2017. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable are:

DSG Receivable for 2019/20	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for year before Academies recoupment			(232,885)
Academy figure recouped for year			77,015
Total DSG after academy recoupment			**(155,870)**
Plus: Brought forward from previous year			(269)
Less: Carry forward to following year (agreed in advance)			269
Agreed initial budgeted distribution in year	**(45,018)**	**(110,852)**	**(155,870)**
In year adjustments	(936)		(936)
Final budget distribution for year	**(45,954)**	**(110,852)**	**(156,806)**
Less: Actual central expenditure	45,915		45,915
Less: Actual ISB deployed to schools		110,852	110,852
Carry forward to 2020/21	**(39)**	**0**	**(39)**

DSG Receivable for 2018/19	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			228,758
Academy figure recouped for year			(72,338)
Total DSG after academy recoupment			**156,420**
Plus: Brought forward from previous year			1,052
Less: Carry forward to following year (agreed in advance)			(1,052)
Agreed initial budgeted distribution in year	**43,774**	**112,646**	**156,420**
In year adjustments	2,071		2,071
Final budget distribution for year	**45,845**	**112,646**	**158,491**
Less: Actual central expenditure	(45,576)		(45,576)
Less: Actual ISB deployed to schools		(112,646)	(112,646)
Carry forward to 2019/20	**269**	**0**	**269**

Note 39 - Grant Income

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

31 March 2019 £000		31 March 2020 £000
(32,374)	Non-Specific Revenue Grants	(28,142)
(16,004)	Capital Grants and Contributions (Housing Revenue Account)	(5,917)
(20,532)	Capital Grants and Contributions (General Fund)	(69,423)
(68,910)	**Total**	**(103,482)**

Credited to Services

Represented 31 March 2019 £000		31 March 2020 £000
(158,451)	Dedicated Schools Grant	(156,128)
(103,391)	Rent Allowance Subsidy	(89,255)
(62,856)	Rent Rebate Subsidy	(56,781)
(27,326)	Public Health Grant	(26,607)
(10,548)	Non-HRA Rent Rebate Subsidy	(13,329)
(4,366)	Royal College of Art Expansion Grant	(12,061)
0	Covid-19 Additional Funding	(8,816)
(7,079)	Better Care Fund	(7,419)
(7,044)	Pupil Premium	(6,747)
(2,375)	Leaseholder Reimbursements	(4,251)
(4,010)	Health Authority Contributions	(3,730)
(3,763)	Sixth Form Funding	(2,979)
0	Teachers Pension Employer Contributions Grant	(2,283)
(1,414)	Asylum Seekers Grant	(2,202)
(811)	Adult Social Care Support Funding	(2,216)
(2,331)	Universal Infant Free School Meals Grant	(2,127)
(906)	Adult Education Funding	(1,744)
(1,461)	Housing Benefit Admin Subsidy	(1,310)
(1,297)	Winter Pressures Grant	(1,297)
(1,553)	Disabled Facilities Grant	(1,294)
(66,466)	Section 106 Contributions	(1,129)
(1,157)	Discretionary Housing Payment Subsidy	(998)
(779)	Troubled Families Grant	(622)
(1,240)	Apprenticeship Grant	(339)
(1,003)	Recladding Grant	0
(12,561)	Other Government Grants and Contributions under £1m	(14,456)
(4,335)	Non-Government Grants & Contributions under £1m	(5,788)
(488,521)	**Total**	**(425,908)**

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

31 March 2019 £000		31 March 2020 £000
(15,729)	Royal College of Art Expansion	(15,421)
(1,618)	Free Schools	(1,618)
(1,301)	Other	(1,982)
(18,648)	**Total**	**(19,021)**

Note 40 - 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 39 as well as liabilities outstanding at the year-end in relation to those grants.

<u>North East Surrey Crematorium Board (NESCB)</u>

The Board is composed of 10 councillors from three London Borough councils; Merton, Sutton and Wandsworth. Councillors Mr M. Ryder, Mrs R. Birchall, Mr T. Walsh, Mr T. Belton, Mr G. Henderson were appointed by the Council. Mr M. Davies (Financial Controller) is Treasurer to the Board. Mr P. Guilliotti (Assistant Director of Resources – Financial Services) is Auditor to the Board.

The Board had regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf. At the year-end the Council had a £0.810m 7-day notice loan outstanding from the Board, making interest payments on similar loans of £5k during the year.

<u>Western Riverside Waste Authority (WRWA)</u>

The authority is composed of 8 members from 4 London Boroughs; Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors Mrs S. Sutters and Mr G. Senior were appointed by the Council. Ms K. Burston (Financial Controller) was Deputy Treasurer to the Authority. Mr P. Guilliotti was Head of Audit to the authority.

During the year there were refuse disposal charges of £11.804m and levy payments of £1.523m to WRWA.

<u>Wandsworth Council Pension Fund</u>

The Council charged the Pension Fund £0.728m for expenses incurred in administering the Fund in 2019/20.

<u>One Trust</u>

One Trust provides day care services to Wandsworth Council. Councillors Mr I. Lewer is a Director of One Trust. During the year, the Council made payments for services of £2.563m to One Trust. The Council charged One Trust £0.430m for service provision and interest payments.

Enable Leisure and Culture

Enable provide leisure and cultural services for the Council. Councillor G. Humphries is a trustee. During the year, the council received a concession for services of £2.350m from Enable. The council paid £1.277m for services provided by Enable.

St George's University Hospital NHS Foundation Trust

St George's is located within the Borough, in Tooting. Councillor H. Byrne is an employee of St George's University Hospital NHS Foundation Trust. £0.554m was paid to the NHS Foundation Trust for service provision.

Wandsworth BC Trading Ltd

This company is a wholly owned Local Authority Trading Company with the Council as the sole shareholder. The Board comprises of Councillor Mr G. Senior and, Mr M. Maidment (Director of Resources and Deputy Chief Executive), Mrs F. Merry (Deputy Director of Resources) and Mr K. Power (Deputy Director of Environment and Community Services) as Directors of the company. During the year, the company charged the Council £0.104m and paid the Council £0.171m.

Wandle Valley Regional Park Trust

Wandle Valley Regional Park Trust was constituted as a Limited Company in July 2012. The Board comprises of 16 trustees – 50% nominated by the London Boroughs of Croydon, Merton, Sutton and Wandsworth, and 50% by partner organisations. Councillors Mrs S. McDermott and Mr G. Humphries are trustees to the board. The Council nominated Councillor Mrs S. McDermott as a representative on the Trust's Board. During 2019/20, the were nil transactions between the Council and the Trust.

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 35. During the year, works and services to the net value of £0.1m 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 41 - Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing

31 March 2019 £000		31 March 2020 £000
314,956	Opening Capital Financing Requirement	291,219
	Capital Investment:	
97,051	Property Plant and Equipment	140,405
113	Investment Property	50
13,791	Revenue Expenditure Funded from Capital Under Statute	27,377
100	Capital Loans and Investments	140
111,056	**Total Capital Spending**	**167,972**
	Sources of Finance:	
(41,541)	Capital receipts	(28,396)
(32,754)	Government Grants and other contributions	(79,577)
(13,972)	Major repairs reserve	(49,345)
	Sums set aside from revenue:	
(267)	- Direct revenue contributions	(5)
(46,054)	- Borrowing or liabilities met from the HRA	(50,428)
(205)	- Minimum revenue provision	(407)
(134,793)	**Total Sources of Finance**	**(208,158)**
291,219	**Closing Capital Financing Requirement**	**251,033**

Explanation of movements in year

31 March 2019 £000		31 March 2020 £000
(23,737)	Increase in underlying need to borrow (unsupported by government financial assistance)	(40,186)
(23,737)	**Increase/(decrease) in Capital Financing Requirement**	**(40,186)**

Note 42 - Leases

Authority as Lessee - Operating Leases

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

31 March 2019 £000		31 March 2020 £000
4,211	Not later than one year	10,910
266	Later than one year and not later than five years	256
324	Later than five years	318
4,801	**Total**	**11,484**

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

31 March 2019 £000		31 March 2020 £000
8,730	Minimum lease payments	11,376
8,730	**Total**	**11,376**

Authority as Lessor - Operating Leases

Assets valued at £111.9m (£78.4m in 2018/19) are held for use in operating leases, for which rent of £7.4m was received in 2019/20 (£7.5m in 2018/19). These assets are mostly investment properties which are not subject to depreciation. The rental figure is inclusive of a significant level of backdated rents raised following the conclusion of lease renewals which have not been recognised in prior year's accounts (£0.7m).

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement and the Council contribute toward the costs 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. In 2019/20 the Council paid £10m (£7.9m in 2018/19) to Teachers' Pensions in respect of teachers' retirement benefits. The contributions due to be paid in the next financial year are estimated to be £9.9m.

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 arms length body of DHSC. The pension cost charged to the Council is the contribution rate set by NHS Pensions on the basis of a notional fund and is therefore accounted for as a defined contribution scheme.

In 2019/20, the Council paid £0.1m (unchanged from 2018/19) to NHS Pensions in respect of members retirement benefits. The contributions due to be paid in the next financial year are also estimated to be £0.1m.

Note 44 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by Wandsworth Council Pension Committee.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie largescale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

The Council recognises a charge to Council Tax based on the cash payable in the year, and the real cost of post-employment/retirement benefits calculated under IAS19 is reversed out of the General Fund via the Movement in Reserves Statement (MiRS). The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

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

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

General Fund Transactions

2018/19 Council £000	2018/19 LPFA £000	2018/19 Total £000		2019/20 Council £000	2019/20 LPFA £000	2019/20 Total £000
Comprehensive Income and Expenditure Statement						
Cost of Services						
			Service cost comprising:			
46,061	315	46,376	Current service cost	49,594	352	49,946
16,036	0	16,036	Past service cost	774	179	953
(2,802)	0	(2,802)	(Gain) / loss from settlements and / or transfers	0	0	0
600	77	677	Administration expenses	772	80	852
			Financing and Investment Income and Expenditure:			
8,031	90	8,121	Net interest expense	5,780	16	5,796
67,926	**482**	**68,408**	**Total charged to Surplus and Deficit on Provision of Services**	**56,920**	**627**	**57,547**
Other post-employment benefits charged to the CIES						
			Re-measurement of the net defined benefit liability comprising:			
(84,398)	(3,853)	(88,251)	Return on plan assets (excluding the amount included in the net interest expense)	163,215	2,753	165,968
0	0	0	Actuarial gains and losses - experience	10,291	(1,943)	8,348
(102,486)	(2,081)	(104,567)	Actuarial gains and losses arising on changes in demographic assumptions	(51,450)	588	(50,862)
65,948	2,718	68,666	Actuarial gains and losses arising on changes in financial assumptions	(150,734)	(4,332)	(155,066)
0	0	0	Other movements in the liability / (asset)	9,778	2,001	11,779
(120,936)	**(3,216)**	**(124,152)**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(18,900)**	**(933)**	**(19,833)**
(53,010)	**(2,734)**	**(55,744)**	**Total charged to the Comprehensive Income and Expenditure Statement**	**38,020**	**(306)**	**37,714**

Movement in Reserves Statement

2018/19 Council £000	2018/19 LPFA £000	2018/19 Total £000		2019/20 Council £000	2019/20 LPFA £000	2019/20 Total £000
(67,926)	(482)	(68,408)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(56,920)	(627)	(57,547)
			Actual amount charged against the General Fund balance for pensions in the year:			
21,834	174	22,008	Employers' contributions payable to scheme	23,479	185	23,664

Pensions Assets and Liabilities Recognised in the Balance Sheet

2018/19 Council £000	2018/19 LPFA £000	2018/19 Total £000		2019/20 Council £000	2019/20 LPFA £000	2019/20 Total £000
(1,767,675)	(62,498)	(1,830,173)	Present value of the defined obligation	(1,621,598)	(55,960)	(1,677,558)
1,517,899	61,725	1,579,624	Fair value of plan assets	1,357,281	55,678	1,412,959
(249,776)	**(773)**	**(250,549)**	**Net (liability) / asset arising from the defined benefit obligation**	**(264,317)**	**(282)**	**(264,599)**

Movement in the Value of Scheme Assets

2018/19 Council £000	2018/19 LPFA £000	2018/19 Total £000		2019/20 Council £000	2019/20 LPFA £000	2019/20 Total £000
1,422,422	59,418	1,481,840	Opening fair value of scheme assets	1,517,899	61,725	1,579,624
36,117	1,449	37,566	Interest income	36,335	1,390	37,725
			Re-measurement gain / (loss):			
84,398	3,853	88,251	The return on plan assets, excluding the amount included in the net interest expense	(163,215)	(2,753)	(165,968)
0	0	0	Other gains / (losses)	(9,778)	(2,001)	(11,779)
21,834	174	22,008	Contributions from employer	23,479	185	23,664
8,997	59	9,056	Contributions from employees into the scheme	9,393	64	9,457
(49,429)	(3,151)	(52,580)	Benefits / transfers paid	(56,060)	(2,852)	(58,912)
(600)	(77)	(677)	Administration expenses	(772)	(80)	(852)
(5,840)	0	(5,840)	Assets Extinguished on Settlement	0	0	0
1,517,899	**61,725**	**1,579,624**	**Closing value of scheme assets**	**1,357,281**	**55,678**	**1,412,959**

2018/19			Movements in the Fair Value of Scheme Liabilities	2019/20		
Council	LPFA	Total		Council	LPFA	Total
£000	£000	£000		£000	£000	£000
(1,747,042)	(63,099)	(1,810,141)	Opening balance at 1 April	(1,767,675)	(62,498)	(1,830,173)
(46,061)	(315)	(46,376)	Current service cost	(49,594)	(352)	(49,946)
(44,148)	(1,539)	(45,687)	Interest cost	(42,115)	(1,406)	(43,521)
(8,997)	(59)	(9,056)	Contributions from scheme participants	(9,393)	(64)	(9,457)
			Re-measurement gains and losses:			
0	0	0	Actuarial gains / (losses) - experience	(10,291)	1,943	(8,348)
102,486	2,081	104,567	Actuarial gains / (losses) from changes in demographic assumptions	51,450	(588)	50,862
(65,948)	(2,718)	(68,666)	Actuarial gains / (losses) from changes in financial assumptions	150,734	4,332	155,066
(16,036)	0	(16,036)	Past service cost	(774)	(179)	(953)
49,429	3,151	52,580	Benefits / transfers paid	56,060	2,852	58,912
8,642	0	8,642	Liabilities extinguished on settlements	0	0	0
(1,767,675)	**(62,498)**	**(1,830,173)**	**Balance as at 31 March**	**(1,621,598)**	**(55,960)**	**(1,677,558)**

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

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

2018/19			2019/20	
Council £000	%		Council £000	%
40,848	2.70%	Cash and cash equivalents	21,607	1.55%
1,001,282	66.00%	Equities	831,133	59.74%
42,394	2.80%	Gilts	51,543	3.70%
167,785	11.10%	Corporate Bonds	182,509	13.12%
61,845	4.10%	Property	126,018	9.06%
203,745	13.40%	Multi-Asset Funds	178,463	12.83%
1,517,899	**100.00%**	**Scheme assets**	**1,391,273**	**100.0%**

2018/19 LPFA £000	%		2019/20 LPFA £000	%
2,160	3.50%	Cash and cash equivalents	2,957	5.31%
33,581	54.40%	Equities	30,157	54.16%
5,804	9.40%	Property	5,085	9.13%
3,719	6.00%	Infrastructure	3,908	7.02%
16,461	26.70%	Target Return Portfolio	13,571	24.37%
61,725	**100%**	**Scheme assets**	**55,678**	**100%**

Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Council scheme and the LPFA scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, based upon the latest triennial valuation, as at 31 March 2016. The last such valuation took place as at 31 March 2019. However, the contribution rates approved in the prior valuation at 31 March 2016 were still in place for the year 2019/20 and therefore it is this earlier valuation which is used here.

Expected Return on Assets

For accounting periods from 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

	Council Fund		**SSA**		**LPFA Fund**	
	2019/20	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Longevity at 65 for current pensioners:						
- Men	21.8	23.4	21.8	23.4	21.2	19.8
- Women	24.4	24.8	24.4	24.8	23.9	23.2
Longevity at 65 for future pensioners:						
- Men	23.2	25.0	23.2	25.0	23.4	21.6
- Women	25.8	26.6	25.8	26.6	25.8	24.9
Rate of inflation (RPI)	2.75%	3.40%	2.65%	3.35%	2.85%	3.50%
Rate of inflation (CPI)	1.90%	2.40%	1.85%	2.35%	1.95%	2.50%
Rate of increase in salaries	2.90%	3.90%	2.85%	3.85%	2.95%	4.00%
Rate of increase in pensions	1.90%	2.40%	1.85%	2.35%	1.95%	2.50%
Rate for discounting scheme liabilities	2.35%	2.40%	2.35%	2.45%	2.30%	2.30%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%	50%	50%

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change, that the assumption analysed changes, while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases of decreases for men and women. In practise 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.

		Council			**LPFA**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	0.10%	0.00%	-0.10%	0.10%	0%	-0.10%
Present Value of Total Obligation	1,591,026	1,621,598	1,652,807	55,232	55,960	56,699
Projected Service Cost	41,720	42,784	43,876	328	334	340
Adjustment to long term salary increase	0.10%	0.00%	-0.10%	0.10%	0%	-0.10%
Present Value of Total Obligation	1,623,786	1,621,598	1,619,426	55,992	55,960	55,928
Projected Service Cost	42,805	42,784	42,763	334	334	334
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%	0.10%	0%	-0.10%
Present Value of Total Obligation	1,650,733	1,621,598	1,593,028	56,669	55,960	55,261
Projected Service Cost	43,859	42,784	41,735	340	334	328
Adjustment to mortality age rating assumption	+ 1 Year	None	-1 Year	+ 1 Year	None	-1 Year
Present Value of Total Obligation	1,689,595	1,621,598	1,556,550	57,830	55,960	54,151
Projected Service Cost	44,084	42,784	41,522	345	334	323

The Accounts include an Enhanced Pension Fund reserve designated to cover the teachers' pension liabilities which fall outside the statutory pension schemes for Council employees.

Impact on the Council's cash flows

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £235.2m (excluding LPFA share) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, resulting in a overall balance of £2,683m. However, statutory arrangements for funding the deficit mean that the financial position remains healthy. The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. The scheme's actuary confirmed following the triennial valuation as at 31 March 2016 that the pension scheme is fully funded. Details are contained in Paper number 17-40 to the Pensions Committee in January 2017; this can be found on the Council's website at http://democracy.wandsworth.gov.uk/ieDocHome.aspx. Funding levels are reviewed on an annual basis. The triennial valuation at 31 March 2019 set contribution rates for the 3 years from 2020/21 and although it does not impact this year's accounts, the actuary confirmed the full funding position. The valuation as at 31 March 2019 set a contribution rate of 18.0% of payroll for 2020/21.

Note 45 - Contingent Liabilities

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

At 31 March 2020 the Council had some outstanding legal and insurance cases which could give rise to a liability in the future. If the cases do give rise to a liability these costs will be met from the insurance provision (based on total value of all outstanding cases) or from in year budgets, however the Council are not expecting any material cases. Where possible, details have been disclosed in the note below but for confidentiality reasons the Council cannot disclose the details of all cases.

Insurance

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992. However, in November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a solvent run-off can no longer be foreseen. The Scheme Administrator issued an initial levy of 15% in January 2014 which was paid from money set aside for this purpose. The Administrator issued a further levy of 10% in April 2016 and has indicated that, based on information currently held; the final aggregate levy may be up to 28%. The Council has sufficient resources in the Insurance Reserve to cover any further levy.

Note 46 - Contingent Assets

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

There were no contingent assets outstanding as at 31 March 2020.

Note 47 - 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 meets its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy.

Credit Risk

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

Deposits

This risk is minimised through the Council's Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Policy also imposes a maximum sum to be invested with a financial institution located within each category. During the year, treasury management has been under regular review, at senior management team meetings of the Resources Directorate. The policy as at 31 March was as follows:

a) up to £50.0m with UK on non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, AA-Long-Term, and a short-term watch that is not negative, (or equivalent under Moody's or Standard and Poor's), and where generally no more than £30.0m is placed for periods longer than 6 months;

b) Up to £100.0m with other UK local authorities or precepting authorities;

c) Up to £20.0m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, AA- Long-Term, and a Short-Term watch that is negative (or equivalent under Moody's or Standard and Poor's);

d) to £20.0m with UK or non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, A Long-Term, and a Short-Term watch that is not negative (or equivalent under Moody's or Standard and Poor's);

e) up to £10.0m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, A Long-Term, and a Short-Term watch that is negative (or equivalent under Moody's or Standard and Poor's);

f) up to £10.0m with UK or non-UK institutions with a Fitch credit rating of at least F1 Short-Term, A Long-Term, and a Short-Term watch that is not negative (or equivalent under Moody's or Standard and Poor's);

g) up to £5.0m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1 Short-Term, A+ Long-Term, and a Short-Term watch that is negative (or equivalent under Moody's or Standard and Poor's);

h) up to £10.0m with UK or non-UK institutions for a maximum of 3 months where 2 out of 3 credit rating agencies have a Fitch credit rating of at least F1 Short-Term, A Long-Term, and a Short-Term watch that is not negative (or equivalent under Moody's or Standard and Poor's); and,

i) up to £50.0m with Royal Bank of Scotland/Nat West PLC overnight only.

Money Market Funds

Investments may also be placed directly in commercial sterling money market funds (MMFs) with AAA ratings or short dated income funds with AA ratings. Investments shall be placed in accordance with the following criteria:

a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Senior Management Team meetings within the Resources Directorate.

b) (The maximum overall limit for the use of MMFs and short dated funds shall be 50% of total investments

c) The maximum limit for each counterparty with AAA rating shall be £50.0m

d) Each MMF shall have a minimum AAA credit rating from one of the 3 main credit rating agencies and, if the fund has more than 1 rating, each rating shall be AAA.

e) The maximum investment placed in any fund shall not exceed 7.5% of the total assets under management in the fund

f) Each short dated income fund shall have a minimum AA credit rating from one of the 3 main credit rating agencies. If the credit rating is only AA the maximum investment in any fund shall not exceed £5.0m if this is lower than 7.5% of assets under management.

Property Funds

Investments of up to £25.0m may be placed in a property fund that is set up under a scheme approved by HM Treasury.

Covered Bonds

Up to £50.0m may be placed in a covered bond with a maturity period of no longer than 3 years and a credit rating of AAA from at least one of the three credit rating agencies

Joint Venture Loans

Loans of up to £50.0m may be made through bond instruments issued by any Joint Venture arrangement or vehicle set up for the purpose of regenerating the Council's housing estates.

Loans to Staff Mutuals, other Service Providers and Voluntary organisations

Loans of up to £5.0m may be made at market rates of interest with terms determined by the Director of Resources and Deputy Chief Executive.

Longer Term Investments

Investments up to an aggregate limit of £50.0m for 5 years, subject to meeting the criteria to not counts as capital expenditure.

Other counterparty debtors

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. The Council has no material long-term debtors. The Council manages the risk of non-payment through the use of specific provisions against categories of debtors.

Liquidity Risk

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

Liquidity Risk	31 March 2019	31 March 2020
	£000	£000
Less than one year	17,202	18,583
Between one and two years	17,202	18,292
Between two and five years	51,605	53,132
More Than 5 Years	17,202	0
More Than 10 years	0	0
	103,211	90,007

All trade and other payables are due to be paid in less than 1 year.

Interest Rate Risk

The Council borrowed £223.6m at a fixed rate of 1.69% from PWLB on 28 March 2012 towards the cost of the HRA subsidy system buy out. Since then the Council has had no new borrowing requirement and is not currently expected to do so. Movements in interest rates are therefore not deemed to materially affect borrowings. The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest receivable on variable rate investments will be posted to the CIES and effect the General Fund balance. The treasury management team has an active strategy for assessing interest rate exposure that is used to update the budget during the year and take into account any adverse changes.

Note 48 – Group Relationships

Shared Services

The SSA with LB Richmond

As detailed in the Narrative Report, Wandsworth Council and LB Richmond formed a shared staffing arrangement from 1 October 2016. Wandsworth Council has not incurred any continued set up costs in 2019/20 (£1.5m in 2018/19). Where Wandsworth Council has entered into specific relationships with LB Richmond 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. Wandsworth is directly charged via an hourly rate for the service.

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 paid £2.3m in 2019/20 (£2.1m in 2018/19) to LB Merton for this service.

Internal Audit and Investigations Service

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. 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’s net spend was £0.5m on the Internal Audit side of IAIS in 2019/20 (£0.4m in 2018/19). The Council spent £0.3m on the Investigations Service in 2019/20 which is unchanged from 2018/19.

Pension Administration Services

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

The Council incurred expenditure of £2.8m and recovered £1.7m from other local authorities in 2019/20 in relation to this service (£2.9m expenditure and £1.4m recovered in 2018/19)

Other

The Council has a wholly owned Local Authority Trading Company (Wandsworth BC Trading Limited) with the Council as the sole shareholder. The Council’s view is this does not form part of Group Accounts for the year 2019/20.

The Council has also entered into a joint venture partnership with Taylor Wimpey PLC to develop the York Road and Winstanley Estates. Both partners own 50% of the partnership. This joint venture has been consolidated as part of the Council’s Group Accounts.

There are no other material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities.

Collection Fund

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

31 March 2019					31 March 2020			
Business Rates £000	**Business Rates Supplement £000**	**Council Tax £000**	**Total £000**	**Collection Fund**	**Business Rates £000**	**Business Rates Supplement £000**	**Council Tax £000**	**Total £000**
				INCOME:				
		(98,523)	(98,523)	Council Tax Receivable			(106,698)	(106,698)
(115,452)			(115,452)	Business Rates Receivable	(130,662)			(130,662)
(3,547)		(1)	(3,547)	Transitional Protection Payments Receivable	(1,550)			(1,550)
	(2,865)		(2,865)	Business Rates Supplements receivable		(3,156)		(3,156)
(118,998)	**(2,865)**	**(98,524)**	**(220,387)**	**Total amounts to be credited**	**(132,212)**	**(3,156)**	**(106,698)**	**(242,066)**
				EXPENDITURE:				
				Apportionment of Previous Year Surplus/Deficit:				
(1,797)			(1,797)	Central Government	496			496
(1,467)		2,125	657	Wandsworth Borough Council	2,986		2,160	5,146
(1,627)		1,416	(211)	Greater London Authority	1,982		1,483	3,465
				Precepts, demands and shares:				
0			0	Central Government	29,172			29,172
75,807		55,987	131,795	Wandsworth Borough Council	56,009		59,921	115,930
42,642		38,451	81,092	Greater London Authority	31,505		42,697	74,202

				Business Rate Supplement:				
	2,669		2,669	Payment to levying authority's Business Rate Supplement Revenue Account		3,162		3,162
	7		7	Administrative Costs		7		7
				Charges to Collection Fund:				
(222)		264	42	Write-offs of uncollectable amounts			808	808
(166)	189	544	567	Increase/(decrease) in allowance for impairment	126	(13)	626	739
(1,605)			(1,605)	Increase/(decrease) in allowance for appeals	(890)			(890)
457			457	Charge to General Fund for allowable collection costs for non-domestic rates	445			445
				Other transfers to General Fund in accordance with non-domestic rates regulations:				
				Enterprise Zone /New Development Deal	14,666			14,666
112,022	**2,865**	**98,787**	**213,673**	**Total amounts to be debited**	**136,497**	**3,156**	**107,695**	**247,348**
(6,976)	**0**	**263**	**(6,714)**	**(Surplus)/Deficit arising during the year**	**4,285**	**0**	**997**	**5,282**
3,389	**0**	**(3,269)**	**121**	**(Surplus)/Deficit b/f at 1 April 2019**	**(3,587)**	**0**	**(3,006)**	**(6,593)**
(3,587)	**0**	**(3,006)**	**(6,593)**	**(Surplus)/Deficit c/f at 31 March 2020**	**698**	**0**	**(2,009)**	**(1,311)**

Notes to the Collection Fund

Note 1 - Council Tax Income

2019/20

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	4,011	6/9	2,674
B	40,001 - 52,000	8,247	7/9	6,415
C	52,001 - 68,000	28,902	8/9	25,691
D	68,001 - 88,000	28,700	9/9	28,700
E	88,001 - 120,000	20,865	11/9	25,502
F	120,001 - 160,000	14,906	13/9	21,531
G	160,001 - 320,000	12,791	15/9	21,318
H	More than - 320,001	2,677	18/9	5,355
			Adjustment	(4,115)
			Ministry of Defence properties	145
			Council Tax base	133,216

2018/19

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	3,854	6/9	2,569
B	40,001 - 52,000	8,125	7/9	6,319
C	52,001 - 68,000	28,418	8/9	25,260
D	68,001 - 88,000	28,185	9/9	28,185
E	88,001 - 120,000	20,408	11/9	24,943
F	120,001 - 160,000	14,553	13/9	21,021
G	160,001 - 320,000	12,598	15/9	20,996
H	More than - 320,001	2,641	18/9	5,282
			Adjustment	(4,037)
			Ministry of Defence properties	145
			Council Tax base	130,683

The rateable value of non-domestic properties at 31 March 2020 was £310.3m (£297.0m for 31 March 2019).

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

Housing Revenue Accounts

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the actual amount to be funded from rents and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

Restated 31 March 2019 £000		31 March 2020 £000
	Expenditure	
23,907	Repairs & Maintenance	28,092
55,311	Supervision & Management	56,667
572	Rents, Rates, Taxes and other charges	574
56,367	Depreciation, impairments and revaluation losses of non-current assets	48,120
799	Movement in the allowance for bad debts	2,352
136,956	**Total Expenditure**	**135,805**
	Income	
(110,621)	Dwelling rents	(109,799)
(5,576)	Non-dwelling rents	(3,745)
(24,367)	Charges for services and facilities	(25,418)
(3,377)	Other	(4,251)
(143,942)	**Total Income**	**(143,213)**
(6,985)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(7,408)**
1,397	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	1,397
(5,589)	**Net Expenditure of HRA Services**	**(6,011)**
(22,076)	(Gains)/loss on sale of HRA Fixed Assets	(19,782)
4,941	Interest Payable and Similar Charges	4,131
(5,729)	HRA Interest and Investment Income	(8,123)
978	Net interest on the defined benefit liability/asset	632
(16,004)	Capital Grants and Contributions	(5,918)
(43,479)	**(Surplus) or Deficit for Year on HRA Services**	**(35,071)**

The statement incorporates £9.426m (£6.551m in 2018/19) of expenditure classified as Revenue funded by Capital under Statute relating to capital expenditure on housing estates, fully funded by leaseholder contributions or government grant, and also grants made to existing Council tenants to assist them in purchasing properties in the private sector freeing the vacated property for other prospective Council tenants. Overall rent arrears in relation to existing and former tenants of Council dwellings (and including other accounts linked to HRA properties) are incorporated into the consolidated figures for the Council, and stood at £7.615 million as at 31 March 2020 (£5.0m as at 31 March 2019), against which a cumulative provision for bad debts of £4.24m (£2.7m as at 31 March 2019) has been established.

Movement on the HRA Statement

31 March 2019 £000	Movement on the HRA Statement	31 March 2020 £000
(132,764)	**Balance on the HRA at the end of the previous year**	**(136,336)**
(43,479)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(35,071)
39,907	Adjustments between accounting basis and funding basis under statute	41,108
(3,572)	**Net (increase) or decrease before transfers to or from reserves**	**6,037**
(3,572)	(Increase) or decrease on the HRA for the year	6,037
(136,336)	**Balance on the HRA at the end of the current year**	**(130,299)**

31 March 2019 £000	Adjustment between accounting basis	31 March 2020 £000
(16,863)	Transfers to/(from) the Capital Adjustment Account	(6,822)
22,190	Gain or (loss) on sale of non-current assets	19,885
(5,587)	Contributions to or (from) the Pension Reserve	(3,975)
(114)	Transfers to/(from) the Capital Receipts Reserve	(103)
102	Transfers to/(from) the Accumulated Absences Account	83
20,798	Transfers to/(from) Major Repairs Reserve	21,874
19,381	Transfers to/(from) Capital Grants Unapplied	10,166
39,907	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**41,108**

Notes to the HRA Account

Note 1 - Analysis of Council Housing Stock

31 March 2019				31 March 2020		
Flats	**Houses**	**Total**		**Flats**	**Houses**	**Total**
14,203	2,597	16,800	Secure tenancies	14,225	2,614	16,839
37	47	84	Equity share tenancies	38	49	87
235	0	235	Shared dwellings	231	0	231
15,778	46	15,824	Long-lease sold	15,750	45	15,795
30,253	**2,690**	**32,943**	**Total**	**30,244**	**2,708**	**32,952**

Note 2 – Housing Revenue Account Capital Funding

31 March 2019 £000		31 March 2020 £000
(22,521)	Borrowing	(10,649)
(26,462)	Capital Receipts	(22,157)
(13,972)	Major Repairs Reserve	(49,345)
(12,447)	Government grants and other contributions	(17,101)
(75,403)	**Total funding**	**(99,252)**

Note 3 - Balance Sheet Value of HRA Assets

Represented 31 March 2019 £'000		31 March 2020 £'000
	Operational Assets	
1,363,395	Dwellings	1,450,524
114,032	Other Land and Buildings	111,325
	Investment Assets	
16,080	Investment Property	16,376
1,493,507	**Total**	**1,578,225**

The vacant possession value of dwellings within the HRA at 31 March 2020 was £5,802m (£5.475m in 2018/19). The balance sheet value is lower because nearly all the dwellings are occupied and because the rents for secure tenancies are below market value.

Revaluation

HRA operational assets were valued by the Council's valuer as at 31 March 2020. This annual valuation gave an overall un-realised increase in value of £21.1m. This included £47.2m revaluation gain increasing the Revaluation Reserve, £26.2 loss shown as a cost in the Income and Expenditure statement

Note 4 – Depreciation of Non-Current Assets

31 March 2019 Depreciation £000		31 March 2020 Depreciation £000
(19,627)	Council Dwellings	(20,558)
(1,171)	Other Land & Buildings	(1,316)
(20,798)	**Total**	**(21,874)**

Note 5 – Transactions relating to retirement benefits

31 March 2019 £000		31 March 2020 £000
3,015	Current Service Cost	3,239
1,593	Past Service Costs	104
978	Net interest expense	632
5,587	**Total charged to Comprehensive Income and Expenditure Statement**	**3,975**
5,587	**Movement on Pension Reserve**	**3,975**

Note 6 – Total Capital Receipts generated during the year

Represented 31 March 2019 £000		31 March 2020 £000
(670)	Land	0
(28,250)	Council Houses	(25,467)
(1,403)	Other Property	(1,175)
(30,323)	**Total**	**(26,642)**

Consolidated Group Accounts

Introduction

This section of the Statement of Accounts details the group financial statements for the Council. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Council controls.

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

Winstanley and York Road Regeneration LLP

The Winstanley and York Road Regeneration LLP was operational from 22 June 2017. The principal activity of the partnership is that of property development. It is an equal partnership between Taylor Wimpey UK Limited and the Council with both members being equally represented on the Board with equal voting rights over operational management.

As at 31 March 2020, in accordance with the legal agreements governing this development, the Council is putting approximately £33m of properties and land into the Joint Venture. The Joint Venture has issued loan notes to the Council to cover the value of the land and properties. Until such time as the money is repaid, the Council will earn interest at 6% per annum.

Until the development phase reaches specific milestones the Council properties remain legally owned by the Council. The properties are currently being accounted for within the Housing Revenue Account as they are being used to provide short term temporary accommodation. The Council has continued to recognise these properties within its assets as at 31 March 2020. The properties form part of the Council Dwellings balance and have been valued accordingly. The Council has also recognised the Loan Notes in the long-term debtors as at 31 March 2020.

The financial year end of the Winstanley and York Road Regeneration LLP was 31 December 2019, The Council's financial year end is 31 March 2020. In consolidating the accounts, adjustments need to be made for any significant transactions/ events that occurred between 31 December 2019 and 31 March 2020.

Under the terms of the Members Agreement Taylor Wimpey UK Limited and the London Borough of Wandsworth are contractually obliged to provide funding to the partnership to a predetermined level. The members are of the view, at the time of approving the financial statements there is reasonable expectation the Partnership will be able to remain in existence for at least 12 months from the date of the approval of the Accounts prepared for the Partnership. Accordingly, the financial statements have been prepared on a going concern basis.

The Accounting Policies of Winstanley and York Road Regeneration LLP are the same as the Council's and as the notes to the Group Accounts are not materially different from those of the Council, no additional notes have been disclosed.

Group Comprehensive Income and Expenditure Statement

2018/19				2019/20		
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
138,529	(58,027)	80,502	Adult Care and Health	137,853	(56,889)	80,964
43,800	(13,424)	30,376	Community Services and Open Spaces	49,290	(15,536)	33,754
324,772	(206,317)	118,455	Education and Children's Services	322,843	(211,679)	111,164
226,959	(198,193)	28,766	Finance and Corporate Resources	208,468	(200,362)	8,106
39,354	(32,068)	7,286	Housing and Regeneration	31,505	(22,706)	8,799
135,529	(142,515)	(6,986)	Housing Revenue Account	132,839	(140,247)	(7,408)
109,707	(105,708)	3,999	Strategic Planning and Transportation	45,001	(43,800)	1,201
1,018,650	**(756,252)**	**262,398**	**Cost of Services**	**927,799**	**(691,219)**	**236,580**
		17,031	Other Operating Expenditure			(432)
		782	Financing and Investment Income and Expenditure			(1,850)
		(233,855)	Taxation and Non-Specific Grant Income			(269,009)
1,018,650	**(756,252)**	**46,356**	**Surplus or Deficit on Provision of Services**	**927,799**	**(691,219)**	**(34,711)**
		4,836	Share of Surplus or Deficit of Joint Ventures			861
		51,192	**Group Surplus or Deficit**			**(33,850)**
		(226,880)	Surplus or deficit on revaluation of Property, Plant and Equipment			(22,638)
		(124,152)	Remeasurement of the net defined benefit liability / asset			(19,833)
		(351,032)	**Other Comprehensive Income and Expenditure**			**(42,471)**
		(299,840)	**Total Group Comprehensive Income and Expenditure**			**(76,321)**

Group Balance Sheet

31 March 2019 £000		31 March 2020 £000
2,468,286	Property, Plant and Equipment	2,541,281
748	Heritage Assets	1,351
58,632	Investment Property	55,940
107	Intangible Assets	21
125,522	Long-Term Investments	125,162
22,451	Long-Term Debtors	33,539
2,675,746	**Long Term Assets**	**2,757,294**
406,182	Short-Term Investments	415,214
949	Assets Held for Sale	948
2,415	Inventories	2,480
109,246	Short-Term Debtors	134,069
73,845	Cash and Cash Equivalents	64,713
592,637	**Current Assets**	**617,424**
(17,999)	Short-Term Borrowing	(18,501)
(197,964)	Short-Term Creditors	(219,611)
(4,868)	Provisions	(3,856)
(220,831)	**Current Liabilities**	**(241,968)**
(21,642)	Long-Term Creditors	(32,880)
(9,791)	Provisions	(9,947)
(86,009)	Long-Term Borrowing	(68,207)
(250,549)	Other Long-Term Liabilities	(264,599)
(18,648)	Grants Receipts in Advance - Capital	(19,021)
(5,421)	Share of Joint venture Liabilities	(6,282)
(392,060)	**Long Term Liabilities**	**(400,936)**
2,655,492	**Net Assets**	**2,731,814**
(672,823)	Usable Reserves	(663,204)
(1,988,090)	Unusable Reserves	(2,074,892)
5,421	Share of Joint Venture Reserves	6,282
(2,655,492)	**Total Reserves**	**(2,731,814)**

Group Movement in Reserves Statement

	Total Usable Reserves £000	Unusable Reserves £000	Authority's share of Joint Venture Reserves £000	Total Reserves £000
Balance at 31 March 2019	**(672,823)**	(1,988,090)	**5,421**	**(2,655,493)**
Movement in reserves during 2019/20				
Surplus or deficit on the provision of services	(34,711)		861	(33,850)
Other Comprehensive Income / Expenditure		(42,471)		(42,471)
Total Comprehensive Income and Expenditure	**(34,711)**	**(42,471)**	**861**	**(76,321)**
Adjustments between accounting basis and funding basis under regulations	44,330	(44,330)	0	0
Increase or Decrease in 2019/20	**9,619**	**(86,801)**	**861**	**(76,321)**
Balance at 31 March 2020	**(663,203)**	**(2,074,892)**	**6,282**	**(2,731,813)**

	Total Usable Reserves £000	Unusable Reserves £000	Authority's share of Joint Venture Reserves £000	Total Reserves £000
Balance at 31 March 2018	**(656,375)**	**(1,699,862)**	**585**	**(2,355,652)**
Movement in reserves during 2018/19				
Surplus or deficit on the provision of services	46,356		4,836	51,192
Other Comprehensive Income / Expenditure		(351,032)		(351,032)
Total Comprehensive Income and Expenditure	**46,356**	**(351,032)**	**4,836**	**(299,841)**
Adjustments between accounting basis and funding basis under regulations	(62,805)	62,805	0	0
Increase or Decrease in 2018/19	**(16,449)**	**(288,227)**	**4,836**	**(299,841)**
Balance at 31 March 2019	**(672,823)**	**(1,988,090)**	**5,421**	**(2,655,493)**

Group Cash Flow Statement

2018/19 £000		2019/20 £000
51,192	Net (surplus) or deficit on the provision of services	(33,850)
(203,625)	Adjustment to surplus or deficit on the provision of services for noncash movements	(139,648)
77,349	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	122,545
(75,084)	**Net cash flows from operating activities**	**(50,953)**
26,311	Net cash flows from investing activities	39,754
15,405	Net cash flows from financing activities	20,331
(33,368)	**Net (increase) or decrease in cash and cash equivalents**	**9,132**
40,477	Cash and cash equivalents at the beginning of the reporting period	73,845
73,845	**Cash and cash equivalents at the end of the reporting period**	**64,713**

Independent Auditor's Report to the Members of Wandsworth Borough Council

Opinion

We have audited the financial statements of Wandsworth Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the: Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and the related notes 1 to 48; Collection Fund and the related notes; Housing Revenue Account Income and Expenditure Statement, Movement on the HRA Statement and the related notes 1 to 6; and the Consolidated Group Accounts comprising the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Movement in Reserves Statement, and Group Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Wandsworth Borough Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of Wandsworth Borough Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in Accounts for the year 2019/20, other than the financial statements and our auditor's report thereon. The Director of Resources and Deputy Chief Executive is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Wandsworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of the Responsibilities set out on page 13, the Director of Resources and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Wandsworth Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wandsworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Wandsworth Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

This report is made solely to the members of Wandsworth Borough Council, 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 Wandsworth Borough Council and Wandsworth Borough Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
8 February 2021

Pension Fund Accounts

Wandsworth Pension Fund Account

2018/19 £000		Note	2019/20 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(59,942)	Contributions receivable	PFNote 7	(64,876)
(10,357)	Transfers In from Other Pension Funds	PFNote 8	(8,632)
(70,299)			(73,508)
77,336	Benefits payable	PFNote 9	79,625
19,034	Payments to and on account of Leavers	PFNote 10	18,793
96,370			98,418
26,071	**Net (Additions)/Withdrawals from Dealings with Members**		**24,910**
10,064	Management Expenses	PFNote 11	9,338
36,135	**Net (Additions)/Withdrawals including Fund Management Expenses**		**34,248**
	Returns on Investments		
(31,141)	Investment income	PFNote 12	(39,732)
155	Taxes on income	PFNote 12	227
(125,376)	(Profit)/Loss on Disposal of Investment and changes in Market Value	PFNote 15	228,204
(156,362)	**Net Returns on Investments**		**188,699**
(120,227)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**222,947**
(2,226,456)	Opening Net Assets of the Fund		(2,386,683)
(2,386,683)	**Closing Net Assets of the Fund**		**(2,163,736)**

Wandsworth Pension Fund Net Assets Statement

31st March 2019 £000		Note	31st March 2020 £000
	Long Term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
2,363,811	- Investment Assets		2,139,844
24,741	- Cash Deposits with FM		48,672
(6,043)	Investment Liabilities		(29,802)
2,382,809	**Total Net Investments**	PFNote 14	2,159,014
94	Long Term Debtor	PFNote 31	985
	Current Assets		
4,392	- Cash Deposits with Bank	PFNote 32	3,746
1,557	- Current Assets (excl. bank)	PFNote 32	2,545
6,043			7,276
(2,169)	Current Liabilities	PFNote 32	(2,554)
(2,169)			(2,554)
2,386,683	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,163,736**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at PFNote 29.

Notes to the Wandsworth Pension Fund Accounts

PFNote 1 Description of the Fund

The Wandsworth Pension Fund (‘the Fund’) is part of the LGPS and is administered by Wandsworth Council.

a) General
The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:
- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Wandsworth Council to provide pensions and other benefits for pensionable employees of Wandsworth Council, Richmond Council, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Joint Pensions Committee, which is a committee of Wandsworth Council, and includes representatives from both Wandsworth Council and Richmond Council.

b) Membership
Membership of the LGPS is contractual but employees are free to opt out of the scheme and choose to make their own personal arrangements outside of it.

Organisations participating in the Wandsworth Pension Fund include the following:
- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, where the employer has been designated by a scheduled body as being eligible for membership.

Membership details are set out below:

31st March 2019		31st March 2020
63	**Number of Employers with Active Members**	**63**
	Number of Employees in the Fund	
7,677	Councils (LBRuT & WBC)	8,312
2,801	Other Employers	2,897
10,478	**Total**	**11,209**
	Number of Pensioners (including dependants)	
9,054	Councils (LBRuT & WBC)	9,359
971	Other Employers	1,055
10,025	**Total**	**10,414**
	Number of Deferred Pensioners	
14,746	Councils (LBRuT & WBC)	15,188
2,611	Other Employers	3,016
17,357	**Total**	**18,204**
37,860	**Total Number of Members in the Fund**	**39,827**

c) Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. The employer rates set under the 2019 valuation apply from 1 April 2020. The employer contribution rates that applied in the 2019/20 year ranged from 14.5% to 26.6% of pensionable pay in accordance with the previous fund valuation in 2016.

d) Benefits
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

PFNote 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts report on the Net Assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the Notes to the Accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in PFNote 29.

The accounts have been prepared on a going concern basis.

PFNote 3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.
Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (PFNote 33) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (PF Note 8).
Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are recognised on this date where estimation is possible. Where no date is set, transfers are recognised on a cash basis.

c) Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing that payment has been approved.

e) Taxation
The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses
The Fund discloses its pension fund management expenses (which includes fees charged by the CIV) in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	The overall costs of the pensions administration team (including staffing, accommodation, management and other overheads) are analysed and the proportion of these costs relating to administering the Fund are charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown in PFNote 11 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has paid performance related fees to Oakhill Advisors. Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. A proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

Net Assets Statement

g) Financial assets
CIV Long Term Capital represents unlisted equity, although as regulatory capital of the CIV, the investment is not repayable on demand. Fair value at 31 March 2020 cannot be reliably estimated, so the shares are carried at cost. This value includes both Wandsworth and Richmond shares due to the funds having merged in 2016. Investments accessed via the CIV are reported as such in the relevant asset class.

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2020, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20Financial Statements guidance.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see PFNote 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties
Properties are valued annually as at the year-end date by independent external valuers on a fair value basis, see PFNote 16 for more details. The Fund only holds property investments via pooled vehicles.

i) Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period. Some pooled vehicles have internal currency hedging and in these cases the overall value shown for the investment will reflect the impact of the hedging; otherwise the value of open currency hedges will be shown separately to any related investments.

j) Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities, including currency exposure. The Fund does not hold derivatives for speculative purposes.

k) Long Term Debtors
Where the Fund makes a tax payment on behalf of a pensioner (under 2016 or other regulations) this payment is carried as a long term debtor. The debt is recovered by reducing their benefit payments by an actuarially assessed amount, and written down to the Fund Account over the relevant duration (see PF Note 31).

l) Cash and cash equivalents
Cash comprises cash in hand, demand deposits and money market funds, including amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. The Fund has not held any cash equivalents during this or the prior year.

m) Loans and receivables
Financial assets classed as amortised cost are carried in the Net Asset Statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

n) Financial liabilities
A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the Net Asset Statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

o) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (PFNote 29).

p) Additional voluntary contributions
The Wandsworth Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in PFNote 33.

q) Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes.

PFNote 4 Critical Judgements in Applying Accounting Policies

Pension fund liability
The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in PFNote 28. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Asset Valuations and Covid 19
The Fund accounts include asset valuations at 31st March 2020 which is an acknowledged time of economic volatility due to the pandemic. The majority of the Fund's investments represent listed securities (or similarly priced financial instruments) which have generally retained liquidity and price transparency (whilst evidencing volatility in market value). The key exceptions are the Fund's investments in pooled property and private assets (Private Debt and Infrastructure).
All four of the quoted property funds held had suspended unit issuance and redemption as at 31st March 2020, citing "material valuation uncertainty". This is the industry-wide approach taken by the Royal Institution of Chartered Surveyors (RICS) independent valuers, who are unable to rely on previous market experience to form an opinion of value in current market conditions. While caveating their valuations in this way, RICS members will still have given valuations to the best of their ability against this market background.
In private assets (where partnership interests are not normally continuously redeemable), managers have continued to issue valuations according to their usual valuation criteria and the best available information.
All managers' disclosures and certificates have been reviewed to ensure valuations included in the Fund's accounts have, in the opinion of the Council, been prepared and issued on a reasonable basis. No adjustment has been made to figures provided by fund managers.

Private Debt and Infrastructure investments
Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2020, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20Financial Statements guidance.

PFNote 5 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. The judgements used in assessing asset values where manager valuations at 31st March are unavailable and the impacts of Covid 19 are detailed in Note 4. These assets are valued at £183.9m (Note 24) and a 1% change in value is £1.8m. The use of currency hedging to mitigate future exchange rate risk is detailed in Note 21.

Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the Net Asset Statement for which there is a significant risk of

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £51.6m a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £3.7m a one-year increase in assumed life expectancy would increase the liability by approximately £110.9m.

PFNote 6 Events After the Reporting Date

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

PFNote 7 Contributions Receivable

31st March 2019 £000		31st March 2020 £000
(14,440)	**Employees' Contributions**	**(15,607)**
(39,386)	Normal Contributions	(42,330)
(4,906)	Deficit Recovery Contributions	(4,548)
(1,210)	Augmentation Contributions	(2,391)
(45,502)	**Employers' Contributions**	**(49,269)**
(59,942)	**Total Contributions by Category**	**(64,876)**
(52,829)	Scheduled Bodies	(58,181)
(3,346)	Admitted Bodies	(2,923)
(3,767)	Designated Bodies	(3,772)
(59,942)	**Total Contributions by Body**	**(64,876)**

PFNote 8 Transfers In from Other Pension Funds

31st March 2019 £000		31st March 2020 £000
(2,411)	Group Transfers	0
(7,946)	Individual Transfers	(8,632)
(10,357)		(8,632)

PFNote 9 Benefits Payable

31st March 2019 £000		31st March 2020 £000
63,784	Pensions	67,042
11,437	Commutation and Lump Sum Retirement Benefits	11,429
2,115	Lump Sum Death Benefits	1,154
77,336	**Total Benefits by Category**	**79,625**
72,971	Scheduled Bodies	75,948
3,872	Admitted Bodies	3,039
493	Designated Bodies	638
77,336	**Total Benefits by Body**	**79,625**

PFNote 10 Payments To and On Account of Leavers

31st March 2019 £000		31st March 2020 £000
408	Refund to Members Leaving Service	212
9,019	Group Transfers	9,663
9,607	Individual Transfers	8,918
19,034	**Total Payments to/on account of Leavers**	**18,793**

PFNote 11 Management Expenses

2018/19 £000		2019/20 £000
	Management Costs	
1,068	Administrative Costs	946
8,671	Investment Management Expenses	8,215
325	Oversight & Governance Costs	177
10,064	**Total Management Costs**	**9,338**
	Investment Management Expenses above includes:	
6,933	Management Fees	7,260
356	Performance Related Fees	63
54	Custody Fees	50
1,328	Transaction Costs	842
8,671	**Total Investment Management Costs (as above)**	**8,215**

PFNote 12 Investment Income

2018/19 £000		2019/20 £000
	Income from	
6,117	Bonds (corporate and government)	6,335
7,994	Equity	11,059
16,925	Pooled Investment (Unit Trusts & Other Managed Funds)	15,405
0	Infrastructure	5,120
0	Private Debt	1,484
105	Cash Deposits	329
31,141	**Total Investment Income**	**39,732**
	Taxes on Income	
26	Overseas Withholding Tax on Equities	48
129	Overseas Withholding Tax on Pooled Vehicles	179
155	**Total Taxes on Income**	**227**

Property Income
The Fund only holds property under pooled vehicles. Income is disclosed in this category.

PFNote 13 External Audit Costs

31st March 2019 £000		31st March 2020 £000
30	Payable in respect of external audit	27
0	18/19 Fee Rebate	(3)
30		**24**

PFNote 14 Investments

31st March 2018 £000		31st March 2020 £000
	Long Term Investments	
300	CIV Founders' Shares	300
	Other Investment Assets	
198,186	Bonds (corporate and government)	199,374
188,451	Equities	156,692
1,839,819	Pooled Investments	1,438,999
105,818	Pooled Property Investments	104,481
13,530	Infrastructure	117,363
11,585	Private debt	60,750
	Derivative Contracts	
128	- Futures	149
216	- Forward currency contracts	14,938
284	Cash Collateral	815
4,213	Investment Income Due	3,316
1,581	Amounts Receivable for Sales	42,967
0	Amounts Receivable for Pending Spot FX	0
2,363,811	**Other Investment Assets**	**2,139,844**
24,741	Cash Deposits	48,672
2,388,852	**Total Investment Assets**	**2,188,816**
	Investment Liabilities	
	Derivative Contracts	
(403)	- Futures	(413)
(3,228)	- Forward currency contracts	(20,238)
(2,196)	Amounts Payable for Purchases	(7,740)
(216)	Other Investment Liabilities	(1,411)
(6,043)	**Total Investment Liabilities**	**(29,802)**
2,382,809	**Net Investment Assets**	**2,159,014**

PFNote 15 Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2019
	£000	**£000**	**£000**	**£000**	**£000**
Bonds (corporate and government)	184,650	87,564	(77,028)	2,999	198,185
Equities	178,327	119,752	(113,095)	3,467	188,451
Pooled Investments	1,798,531	953,758	(1,039,202)	126,732	1,839,819
Pooled Property Investments	71,607	31,582	0	2,629	105,818
Infrastructure	0	13,530	0	0	13,530
Private debt	0	11,585	0	0	11,585
Investments excl. Derivatives & CIV	**2,233,115**	**1,217,771**	**(1,229,325)**	**135,827**	**2,357,388**
Derivative Contract:					
Futures	(34)	1,501	(1,490)	(252)	(275)
Forward Currency Contracts	(406)	29,756	(21,483)	(10,878)	(3,011)
	2,232,675	**1,249,028**	**(1,252,298)**	**124,697**	**2,354,102**
Other Investment Balances:					
Cash Deposits	16,621			82	24,741
Amount Receivable for Sales & Investments	3,016			(13)	1,581
Investment Income Due	4,734			0	4,213
Spot FX Contracts	0			(64)	0
Amount Payable for Purchases of Investments	0			(8)	(2,196)
Cash Collateral	107			0	68
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	**2,257,153**			**124,694**	**2,382,509**
Other changes charged to the Fund Account				682	
Profit/(Loss) on Disposal of Investment and changes in Market Value				**125,376**	

Asset Category	Market Value 1 April 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2020
	£000	**£000**	**£000**	**£000**	**£000**
Bonds (corporate and government)	198,185	106,999	(102,137)	(3,674)	199,373
Equities	188,451	142,188	(138,169)	(35,778)	156,692
Pooled Investments	1,839,819	11,187	(251,112)	(160,895)	1,438,999
Pooled Property Investments	105,818	1,212	0	(2,549)	104,481
Infrastructure	13,530	103,925	(650)	558	117,363
Private debt	11,585	46,982	(381)	2,564	60,750
Investments excl. Derivatives & CIV	**2,357,388**	**412,493**	**(492,449)**	**(199,774)**	**2,077,658**
Derivative Contract:					
Futures	(275)	2,743	(3,425)	693	(264)
Forward Currency Contracts	(3,011)	71,281	(44,442)	(29,127)	(5,299)
	2,354,102	**486,517**	**(540,316)**	**(228,208)**	**2,072,095**
Other Investment Balances:					
Cash Deposits	24,741			392	48,672
Amount Receivable for Sales & Investments	1,581			(8)	42,967
Investment Income Due	4,213			0	3,316
Spot FX Contracts	0			36	(1)
Amount Payable for Purchases of Investments	(2,196)			14	(7,739)
Cash Collateral	68			0	(596)
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	**2,382,509**			**(227,774)**	**2,158,714**
Other changes in balances recognised in the Fund Account				(429)	
Profit/(Loss) on Disposal of Investment and changes in Market Value				**(228,203)**	

Purchases and sales of derivatives are recognised as follows:

- Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts settlements are reported as gross receipts and payments.

PFNote 16 Analysis of Investments

31st March 2019 £000		31st March 2020 £000
	Bonds (corporate and government)	
	UK	
6,029	Public Sector - quoted	5,401
66,263	Corporate - quoted	65,882
33,655	Public Sector - index linked	43,239
	Overseas	
9,238	Public Sector - quoted	14,056
83,000	Corporate - quoted	70,795
198,185	**Bonds (corporate and government) total**	199,373
	Equities	
	UK	
181,260	Quoted	149,408
	Overseas	
7,191	Quoted	7,285
188,451	**Equities total**	156,693
	Pooled Funds - Additional analysis	
	UK	
362,765	Fixed Income Unit Trust	293,581
510,618	Equity Unit Trust	358,449
0	Diversified Growth Unit Trust	0
	Overseas	
6,786	Fixed Income Unit Trust	6,463
959,650	Equity Unit Trust	780,506
1,839,819	**Pooled Funds total**	1,438,999
105,818	Pooled Property Investments Unit Trust (UK)	104,481
13,530	Unquoted Pooled Infrastructure (Overseas)	117,363
11,585	Unquoted Pooled Private Debt (Overseas)	60,750
2,357,388	**Total Investments (excl. derivatives & CIV)**	**2,077,659**
(3,287)	Derivatives	(5,564)
3,667	Other investments *	37,947
24,741	Cash	48,672
25,121		81,055
2,382,509	**Total**	**2,158,714**

* This balance includes unsettled sale of diversified growth fund which was in progress at 31st March

PFNote 17 Investments Analysed by Fund Manager

Market Value 31st March 2019 £000	%		Market Value 31st March 2020 £000	%
176	0.0	Aberdeen (Property Pooled Vehicle)	179	0.0
16,436	0.7	Northern Trust (Custodian)	33,600	1.6
208,064	8.8	Allianz (Enhanced Bonds) *	210,339	9.7
331,816	13.9	London LGPS CIV (Longview Global Equity)	289,739	13.4
192,576	8.1	River & Mercantile (UK Equity)*	164,450	7.6
22	0.0	London LGPS CIV (Allianz Global Equity)	22	0.0
293,407	12.3	UBSGAM (Passive Multi-Asset)	242,783	11.2
255,992	10.8	London LGPS CIV (Baillie Gifford Global Equity)	250,495	11.6
139,281	5.8	London LGPS CIV and Direct CQS (Multi-Asset Credit)	111,180	5.2
105,603	4.4	Oakhill (Multi-Asset Credit)	89,653	4.1
456,244	19.1	L&G (Passive Multi-Asset & Pooled Property)	396,341	18.4
235,744	9.9	Janus Henderson (Multi-Asset & Pooled Property)	77,208	3.6
4,486	0.2	CCLA / LAMIT (Pooled Property)	4,326	0.2
73,732	3.1	London LGPS CIV (Baillie Gifford DGF)	66,474	3.1
43,546	1.8	Schroders (Pooled Property)	43,221	2.0
(2,393)	(0.1)	Russell Investments (FX Overlay)*	(3,796)	(0.2)
0	0.0	JP Morgan Asset Management (Infrastructure)	103,614	4.8
13,530	0.6	Pantheon Ventures (Infrastructure)	18,498	0.9
4,097	0.2	Brightwood (Private Debt)	13,624	0.6
10,150	0.4	Churchill (Private Debt)	34,860	1.6
0	0.0	Permira Advisors LLP (Private Debt)	12,991	0.6
0	0.0	Russell Investments PCO (Private Debt)	(249)	0.0
0	0.0	Russell Investments PCO (Infrastructure)	(983)	0.0
0	0.0	Rogge Collateral Account	145	0.0
2,382,509	**100.0**	**Fund Manager total**	**2,158,714**	**100.0**
300		CIV Founders Shares	300	
2,382,809		**Total Net Investments**	**2,159,014**	

* Segregated assets. All other assets are pooled

The following investments represent over 5% of the net assets of the Fund. All of these companies are registered in the UK.

Market Value 31st March 2019			Market Value 31st March 2020	
£000	% of Fund		£000	% of Fund
331,676	13.9%	London LGPS CIV (Longview Global Equity)	289,595	13.4%
255,906	10.7%	London LGPS CIV (Baillie Gifford Global Equity)	250,398	11.6%
275,699	11.6%	UBSGAM Life UK Equity Tracker	228,176	10.6%
214,165	9.0%	LGIM Global Developed Passive (Global Equity)	204,407	9.5%
1,077,446	**45.2%**	**Total Investment Assets**	**972,576**	**45.1%**

PFNote 18 Stock Lending

Stock lending is prohibited in segregated investment management agreements. However, is left to the discretion of pooled investment managers as part of their investment strategy.

PFNote 19 Property Holdings

The Fund's investment in property comprises investments in pooled property funds.

PFNote 20 Analysis of Derivatives

Objectives and Policies for Holding Derivatives
The Fund does not invest in derivatives but holds them where appropriate alongside or instead of other assets, usually to hedge liabilities or exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :
(1) the Allianz Global Investors bond mandate, largely to mitigate "off-benchmark" risks that are a feature of the manager's permitted investment approach
(2) in a strategic currency hedging programme ("Passive Currency Overly / PCO") implemented by Russell Investments, which is more fully described in PFNote 21.

a) Futures
The Fund holds futures as part of the fund managers' interest rate risk management strategy.

b) Forward Foreign Currency
A significant proportion of the Fund's portfolio is held in overseas currencies. To reduce the volatility associated with fluctuating currency rates, the Fund holds foreign exchange forward currency contracts to hedge this exposure.

Futures

Outstanding exchange traded futures contracts are as follows:

Economic Exposure £000	Market Value 31st March 2019 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2020 £000
		Assets			
0	0	UK Fixed Income Futures	< 1 Year	1,770	82
11,248	128	Overseas Fixed Income Futures	< 1 Year	74,395	67
	128	**Total Assets**			**149**
		Liabilities			
0	0	UK Fixed Income Futures	< 1 Year	0	0
(31,132)	(403)	Overseas Fixed Income Futures	< 1 Year	(35,348)	(413)
	(403)	**Total Liabilities**			**(413)**
	(275)	**Net Futures**			**(264)**

Open Forward Foreign Currency Contracts

Settlements	Currency Bought	Local Value of Currency Bought £000	Currency Sold	Local Value of Currency Sold £000	Asset Value £000	Liability Value £000
< 1 month	IDR	121,689,802	USD	(8,568)	0	(897)
< 1 month	KRW	5,035,432	USD	(4,356)	0	(178)
< 1 month	RUB	268,662	USD	(4,327)	0	(721)
< 1 month	MXN	107,113	USD	(5,380)	27	(690)
< 1 month	JPY	95,402	GBP	(705)	8	0
< 1 month	GBP	53,163	EUR	(62,848)	0	(2,479)
< 1 month	GBP	51,601	USD	(67,899)	0	(3,126)
< 1 month	GBP	37,890	JPY	(5,422,443)	0	(2,651)
< 1 month	THB	18,802	USD	(578)	0	(3)
< 1 month	GBP	16,455	CAD	(28,432)	351	0
< 1 month	GBP	15,257	CHF	(19,293)	0	(839)
< 1 month	USD	12,924	GBP	(10,103)	313	0
< 1 month	GBP	11,756	AUD	(22,517)	647	0
< 1 month	SEK	10,965	GBP	(888)	4	0
< 1 month	GBP	8,693	MXN	(218,523)	1,197	0
< 1 month	EUR	8,622	GBP	(7,605)	28	0
< 1 month	GBP	5,404	SEK	(67,410)	0	(84)
< 1 month	CAD	5,351	GBP	(3,031)	0	0
< 1 month	AUD	4,439	GBP	(2,196)	0	(6)
< 1 month	USD	4,431	MXN	(85,850)	628	0

< 1 month	USD	4,360	THB	(131,938)	274	0
< 1 month	USD	4,103	RUB	(273,187)	493	0
< 1 month	USD	3,573	IDR	(50,984,938)	362	0
< 1 month	GBP	2,065	SGD	(3,666)	0	(12)
< 1 month	SGD	650	GBP	(368)	1	0
< 1 month	USD	591	KRW	(741,880)	0	(15)
< 1 month	CHF	342	GBP	(285)	0	0
1-6 months	JPY	628,519	USD	(6,008)	0	(135)
1-6 months	GBP	393,446	USD	(486,110)	9,866	(7,953)
1-6 months	SEK	54,629	EUR	(5,076)	0	(51)
1-6 months	USD	23,878	GBP	(19,340)	13	(125)
1-6 months	USD	5,984	JPY	(625,913)	135	0
1-6 months	GBP	5,868	HKD	(53,766)	284	0
1-6 months	EUR	5,076	SEK	(54,652)	49	0
1-6 months	HKD	5,034	GBP	(523)	0	0
1-6 months	AUD	4,378	USD	(2,870)	0	(153)
1-6 months	CAD	4,044	USD	(2,958)	0	(93)
1-6 months	USD	2,958	CAD	(4,043)	93	0
1-6 months	USD	2,869	AUD	(4,378)	152	0
1-6 months	GBP	1,242	EUR	(1,424)	0	(20)
1-6 months	USD	425	EUR	(373)	12	0
1-6 months	EUR	214	USD	(243)	0	(7)
1-6 months	EUR	110	GBP	(96)	1	0
Open Forward Currency Contracts at 31st March 2020					**14,938**	**(20,238)**
Net Forward Currency Contracts at 31st March 2020						**(5,300)**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2019					216	(3,228)
Net Forward Currency Contracts at 31st March 2019						(3,012)

PFNote 21 Hedge Accounting

Hedging is the process of entering into a derivative contract with the objective of reducing or eliminating exposure to a particular type of risk. This is achieved because expected changes in the value or cash flows of the hedged item move in the opposite direction to expected changes in the value or cash flow of other investment holdings.

The Pension Fund has entered into a passive currency hedging programme, commencing in May 2018 in order to manage risk, and not for speculation purposes. Under the programme, hedge investments are purchased to manage exchange rate risk in foreign currency investments only. This is to support the Fund's choice to invest overseas to enhance diversification and achieve exposure to geographical returns outside the UK. The Fund hedges to remove the risk of adverse currency movement impacting this strategy.

The following arrangements were in place during 2019/20:

Financial instrument	How this has been applied to manage risk	Possible impact on future cash flows*
Fair value hedge - Forward foreign exchange contracts	Mitigate the risk that adverse movements on foreign exchange rates will affect the carrying value and investment income relating to pooled funds including quoted overseas equities. Settlement is calculated at the contract end date based on the difference between spot rate and forward rate on a specified basket of currencies.	A reduction of 10% in current carrying value could reduce the year end Fund Account balance by £0.098m.

** the percentages used above represent the maximum forecast reduction for this type of hedging arrangement as advised by the Fund's independent investment advisor.*

The details of the passive currency hedging implementation are as follows:

Asset Class	Methodology
Global Equity	50% of notional currency exposure is hedged using rolling 3-month OTC (Non-Collateralised) Currency Forwards. The currencies are hedged according to the MSCI World Index allocations (rather than by reference to underlying actual exposures, where these may differ). Proxies for certain currencies are used where considered appropriate.
Infrastructure	50% of the currency exposure is hedged using rolling 3-month OTC (Non-Collateralised) Currency Forwards.
Private Debt	100% of the currency exposure is hedged using rolling 3-month OTC (Non-Collateralised) Currency Forwards.

The table below sets out the impact that the passive currency hedging programme has had on the Fund's overall financial position and performance:

	Nominal Value	Inception date	Carrying Value at 31st March 2020	Changes in Fair Value in 2019/20	Changes in Fair Value since Inception	Hedge effectiveness 2019/20	Hedge effectiveness since Inception	Where effectiveness has been recognised
	£000		£000	£000	£000	%	%	
Forward Foreign Exchange Contracts (hedging Equity)	432,578	31/05/2018	(3,802)	(25,475)	(34,136)	-5.7%	-7.7%	As part of change in market value of investments
Forward Foreign Exchange Contracts (hedging Private Debt)	47,613	01/02/2019	(282)	(2,516)	(2,615)	-7.0%	-7.7%	As part of change in market value of investments
Forward Foreign Exchange Contracts (hedging Infrastructure)	57,645	01/02/2019	(995)	(492)	(582)	-1.3%	-1.3%	As part of change in market value of investments

Forward Foreign Exchange Contracts	Inception date	Carrying Value at 31st March 2019	Changes in Fair Value in 2018/19	Changes in Fair Value since Inception	Hedge effectiveness 2018/19	Hedge effectiveness since Inception	Where effectiveness has been recognised
		£000	£000	£000	%	%	
Hedging Equity	31/05/ 2018	(2,429)	(8,661)	(8,661)	-2.0%	-2.0%	As part of change in market value of investments
Hedging Infrastructure	01/02/ 2019	(117)	(99)	(99)	-0.8%	-0.8%	As part of change in market value of investments
Hedging Private Debt	01/02/ 2019	(90)	(90)	(90)	-0.8%	-0.8%	As part of change in market value of investments

PFNote 22 Fair Value – Basis of Valuation

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year. CIV Long Term Capital is not held for investment purposes, it represents our commitment to the London Collective Investment Vehicle (LCIV) which was made for operational reasons to allow the Fund to access LCIV investments and obtain the benefits of pooled investment. There is no expectation of any capital appreciation or revenue return from this asset. It is therefore carried at cost.

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2020, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Bonds (corporate and government)	Level 2	Market value based on current yields	Not Required	Not Required
Equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled Investments	Level 2	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Not Required	Not Required
Forward Currency Contracts	Level 2	Market forward exchange rates ta the year end	Exchange rate risk	Not Required
Cash Deposits	Level 1	Cash	Not Required	Not Required
Cash Collateral	Level 1	Cash	Not Required	Not Required

Pooled Private Debt	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required	Not Required	Not Required
Pooled Infrastructure	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required	Not Required	Not Required

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset	Assessed valuation range (+/-)	Value at 31st March 2020 £000	Value on Increase £000	Value on Decrease £000
Infrastructure	17.0%	117,363	137,315	97,411
Private Debt	11.0%	60,750	67,433	54,068
		178,113	**204,748**	**151,479**

Asset	Assessed valuation range (+/-)	Value at 31st March 2019 £000	Value on Increase £000	Value on Decrease £000
UK Property Funds	13.9%	176	200	152
Overseas Equities	19.2%	920	1,097	743
Infrastructure	15.0%	13,530	15,560	11,501
Private Debt	10.8%	11,585	12,836	10,334
		26,211	**29,693**	**22,730**

PFNote 23 Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
- Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data (e.g. property assets valued based on similar local market transactions).
- Level 3 – where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data.

The table that follows provides an analysis of the assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	31st March 2019			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit & loss	187,939	2,143,866	26,211	2,358,016
Amortised Cost	25,672	4,863	0	30,535
	213,611	**2,148,729**	**26,211**	**2,388,551**
Financial Liabilities				
Fair value through profit & loss	(618)	(5,424)	0	(6,042)
	(618)	**(5,424)**	**0**	**(6,042)**
Total	**212,993**	**2,143,305**	**26,211**	**2,382,509**

	31st March 2020			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit & loss	161,069	1,754,378	178,113	2,093,560
Amortised Cost	49,382	45,573	0	94,955
	210,451	**1,799,951**	**178,113**	**2,188,515**
Financial Liabilities				
Fair value through profit & loss	(1,823)	(27,978)	0	(29,801)
	(1,823)	**(27,978)**	**0**	**(29,801)**
Total	**208,628**	**1,771,973**	**178,113**	**2,158,714**

Transfers between Levels 1 and 2

No assets have transferred between levels during the reporting period.

PFNote 24 Reconciliation of Fair Value Measurements within Level 3

The following table shows the movement between the opening and closing value of Level 3 instruments:

	Market Value 1st April 2019 £000	T/frs Into Level 3 £000	T/fes Out of Level 3 £000	Purchases During the Year End & Derivative Payments £000	Sales During the Year End & Derivative Payments £000	Unrealised Gains / (Losses) £000	Realised Gains / (Losses) £000	Market Value 31st March 2020 £000
Overseas equities	920	0	0	0	(878)	(162)	120	0
UK Property Funds	177	0	0	0	0	3	0	180
Infrastructure	13,530	0	0	103,925	(650)	392	166	117,363
Private Debt	11,585	0	0	46,982	(381)	2,567	(3)	60,750
UK public sector Index linked	0	3,046	0	0	0	2,556	0	5,602
	26,212	3,046	0	150,907	(1,909)	5,356	283	183,895

	Market Value 1st April 2018 £000	T/frs Into Level 3 £000	T/fes Out of Level 3 £000	Purchases During the Year End & Derivative Payments £000	Sales During the Year End & Derivative Payments £000	Unrealised Gains / (Losses) £000	Realised Gains / (Losses) £000	Market Value 31st March 2019 £000
UK Property Funds	182	0	0	0	0	(5)	0	177
Overseas equities	0	0	0	758	0	162	0	920
Infrastructure	0	0	0	13,530	0	0	0	13,530
Private Debt	0	0	0	11,585	0	0	0	11,585
	182	0	0	25,873	0	157	0	26,212

PFNote 25 Classification of Financial Instruments

31st March 2019 Designated as fair value through P&L £000	31st March 2019 Financial Assets at Amortised Cost £000	31st March 2019 Financial Liabilities at Amortised Cost £000		31st March 2020 Designated as fair value through P&L £000	31st March 2020 Financial Assets at Amortised Cost £000	31st March 2020 Financial Liabilities at Amortised Cost £000
			Financial Assets			
198,186			Bonds (corporate and government)	199,374		
188,451			Equities	156,692		
1,839,818			Pooled Investments	1,438,999		
105,818			Pooled Property Investments	104,481		
13,530			Infrastructure	117,363		

11,585			Private Debt	60,750		
344			Derivative Contracts	15,087		
0	24,741		Cash	0	48,672	
284	4,213		Other Investment Balances	815	3,316	
0	1,581		Current Assets	0	42,966	
2,358,016	**30,535**	**0**	**Total Assets**	**2,093,561**	**94,954**	**0**
			Financial Liabilities			
(3,631)			Derivative Contracts	(20,651)		
		(215)	Other Investment Balances			(1,411)
		(2,196)	Creditors			(7,739)
(3,631)	**0**	**(2,411)**	**Total Liabilities**	**(20,651)**	**0**	**(9,150)**
2,354,385	**30,535**	**(2,411)**	**Net Total**	**2,072,910**	**94,954**	**(9,150)**

PFNote 26 Net Gains & Losses on Financial Instruments

2018/19 £000		**2019/20 £000**
	Financial Assets	
135,826	Fair value through profit and loss	(199,776)
83	Assets at amortised cost - Realised gain	442
135,909		**(199,334)**
	Financial Liabilities	
(11,130)	Fair value through profit and loss	(28,433)
(85)	Liabilities at amortised cost - Realised loss	(8)
(11,215)		**(28,441)**
124,694	**Net Gain/(Loss) on Financial Instruments**	**(227,775)**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

PFNote 27 Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management
The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to

ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management strategy rests with the Joint Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2020/21, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value at 31st March 2020 £000	Potential Market Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
UK Fixed Interest Gilts	5,401	8.2%	5,844	4,958
UK Index-Linked Gilts	57,846	9.4%	63,283	52,408
UK Non Government Bonds	217,382	7.0%	232,598	202,165
Overseas Bonds	17,957	10.2%	19,790	16,125
Multi-Asset Credit	200,832	8.5%	217,903	183,761
UK Equities	481,483	21.1%	583,075	379,890
Overseas Equities	780,506	22.6%	956,900	604,112
Pooled Property Investments	104,481	14.2%	119,317	89,646
Diversified Growth Fund	33,658	11.9%	37,663	29,654
Private Debt	60,750	11.0%	67,433	54,069
Infrastructure	117,363	17.0%	137,315	97,412
Total Assets Invested excluding derivatives, other investments and cash	**2,077,659**		**2,441,121**	**1,714,200**

Asset type	Value at 31st March 2019 £000	Potential Market Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
UK Equities	618,146	17.3%	725,084	511,207
Overseas Equities	966,842	19.2%	1,152,476	781,208
UK Fixed Interest Gilts	29,283	7.1%	31,362	27,204
UK Index-Linked Gilts	46,075	9.2%	50,313	41,836
UK Non Government Bonds	232,979	7.1%	249,520	216,437
UK Non Government Index Linked	5,277	9.2%	5,762	4,792
Overseas Bonds	9,238	9.9%	10,154	8,323
Multi-Asset Credit	244,882	7.9%	264,228	225,536
Diversified Growth Fund	73,732	9.7%	80,884	66,581
Pooled Property Investments	105,818	13.9%	120,527	91,110
Infrastructure	13,530	15.0%	15,560	11,502
Private Debt	11,585	10.8%	12,836	10,335
Total Assets Invested excluding derivatives, other investments, cash and CIV	**2,357,387**		**2,718,706**	**1,996,071**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund’s direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. Experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

	Carrying Amount 31st March 2020 £000	Change in Year in Net Assets Available to Pay Benefits +100bps £000	-100bps £000
Asset Type			
Cash and Cash Equivalents	52,418	524	(524)
Bonds (corporate and government)	199,373	1,994	(1,994)
Fixed Income Pooled Funds	300,044	3,000	(3,000)
Total	**551,835**	**5,518**	**(5,518)**

	Carrying Amount 31st March 2019 £000	Change in Year in Net Assets Available to Pay Benefits +100bps £000	-100bps £000
Asset Type			
Cash and Cash Equivalents	29,117	291	(291)
Bonds (corporate and government)	198,186	1,982	(1,982)
Fixed Income Pooled Funds	369,550	3,696	(3,696)
Total	**596,853**	**5,969**	**(5,969)**

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Asset Value at 31st March 2020 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	17,957	10%	19,753	16,161
Overseas Equities	780,506	10%	858,557	702,455
Overseas Infrastructure	117,363	10%	129,099	105,627
Overseas Private Debt	60,750	10%	66,825	54,675
Total Overseas Assets	**976,576**		**1,074,234**	**878,918**

Currency Exposure - Asset Type	Asset Value at 31st March 2019 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Cash	3,183	10%	3,501	2,865
Overseas Unit Trust	966,436	10%	1,063,080	869,792
Overseas Securities (quoted)	7,191	10%	7,910	6,472
Overseas Public Sector Bonds (quoted)	9,238	10%	10,162	8,314
Overseas Corporate Bonds (quoted)	83,000	10%	91,300	74,700
Overseas Infrastructure	13,530	10%	14,883	12,177
Overseas Private Debt	11,585	10%	12,744	10,427
Total Overseas Assets	**1,094,163**		**1,203,580**	**984,747**

It should be noted that the Fund has a passive currency hedging programme in place to hedge approximately a 50% proportion of overseas currency exposure on its equity and infrastructure investments and approximately 100% of currency exposure on its Multi-Asset Credit and Private Debt investments. Therefore the gains and losses on the sterling value of overseas assets quoted above will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly. As part of the review the Fund's exposure to lower rated bonds is monitored to ensure the risk of default is managed.

Balances at 31st March 2019 £000		Credit Rating	Balances at 31st March 2020 £000
	Moneymarket Funds		
23,987	NTGI Global Cash Fund	AAA	48,009
	Bank Deposit Accounts		
754	Variation margin		663
	Bank Current Accounts		
4,376	Held with the Council's Bank		3,746
29,117	**Total**		**52,418**

The Pension Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a bond or a guarantee before admitting new employers so that all contribution obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2020 and 31 March 2019 were received in accordance with a monthly payment schedule. This schedule is monitored and non-compliance with agreed schedules is raised with the employer and escalated as appropriate.

Six admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2019/20 or 2018/19.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund is currently marginally cash flow positive taking into account employer contributions and investment returns being retained as cash rather than reinvested, and excluding one-off events such as large transfers.

The Fund ensures liquidity by:

- holding day to day cash in an interest-bearing account with its bank with daily liquidity
- holding cash balances with investment fund managers which can be returned to the Fund in under a week to meet any major cash outflows (e.g. bulk transfer of staff to another Fund)
- investing in a range of assets and pooled vehicles which could be liquidated with sufficient notice to fund large planned cash outflows

The administering authority (Wandsworth Borough Council) is the lender of last resort to the Fund as facilitated by regulations, where the Fund does not have sufficient liquidity to meet its payment commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2020 the value of illiquid assets represented £483.4m, 22.4% of the total fund value (at 31 March 2019 this was £365.7m or 15.3% of the total fund).

Refinancing risk
The key risk is that the Pension Fund will need to replenish a significant proportion of its debt instruments at a time of unfavourable interest rates. The Fund does not have the power to borrow long term (only to fund benefit payments or asset allocation changes with repayment within 3 months) and has not borrowed in year so has no exposure to this risk.

PFNote 28 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. However, the contribution rates approved in the prior valuation at 31 March 2016 were still in place for the year 2019/20 and therefore it is this valuation which is used here.

The key elements of the funding policy are:
1) to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2) to ensure that employer contribution rates are as stable as possible
3) to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
4) to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so and
5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer of the administering authority from an employer defaulting on its pension obligations.

At the time of the triennial review, Richmond and Wandsworth Councils had individual funds. The Richmond Fund was merged into the Wandsworth Fund at 1st October 2016, but as this was after the valuation date, there are currently two triennial valuation reports to consider for the Wandsworth Fund and both will be mentioned in this note.

The aim is to achieve 100% solvency over a period of 12 years (LBRuT Fund only) and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. At the 2016 actuarial valuation, the Wandsworth Borough Council Fund was assessed as 101% funded (95% at the March 2013 valuation). As a result, no monetary deficit applied to the Fund as at the valuation date. The London Borough of Richmond Fund was assessed as 91% funded (83% at the March 2013 valuation as measured by the Fund's former actuary, Hymans Robertson LLP). The aggregate monetary deficit of the LBRuT Fund was measured as £56.675m.

In addition to the primary contribution rate, most employers will also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.
All employers have individual rates, however the average employer's primary contribution rate across the Fund was :

Year	Rate
2017/18	18%
2018/19	18%
2019/20	18%

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Assumptions as at	**31st March 2016 % p.a.**
Salary Increases	3.9%
Pensions Increases (CPI)	2.4%
Discount Rate / Return	4.7%

Demographic assumptions
The assumed life expectancy from age 65 is as follows:

Year Ended	**Prospective Pensioners**	**Pensioners**
31st March 2016	2015 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.5% p.a.	2015 CMI Model with long term rate of improvement of 1.5% p.a.

Commutation assumption
It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option
It is assumed that 10% of active members (evenly distributed across age, service length and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

PFNote 29 Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year. This uses the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see PFNote 28). The actuary has also valued ill health and death benefits in line with IAS 19.

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

31 March 2019 £000		**31 March 2020 £000**
(2,869,899)	Present value of promised retirement benefits	(2,689,668)
2,386,753	Fair value of scheme assets (bid value)	2,162,460
(483,146)	**Net Liability**	**(527,208)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see PFNote 28) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2019 % p.a.		**31 March 2020 % p.a.**
2.40	Discount rate	2.35
2.40	Inflation / pension increase rate assumption	1.90
3.90	Salary increase	2.90

PFNote 30 Going Concern

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for UK public sector and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts summarise the transactions and net assets of the fund. They do not take account of future liabilities to pay pensions and other benefits after 31st March 2020 reporting period. The actuarial present value of promised retirement benefits, valued on International Accounting Standard (IAS) basis, is disclosed at PFNote 29.

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long term outlook when considering the general investment and funding implications of external events. The Pension Fund remains a long term investor and has reduced its allocation to equities and gilts and increased allocation to real assets and multi asset credit to increase returns without impacting risk. The Fund will continue to monitor all tasks on an ongoing basis and will consider appropriate actions where necessary.

The 2019 valuation calculated the funding level at 105%, meaning based on agreed assumptions, the fund should be able to make all required payments with a 5% margin. The assumptions behind this calculation cover pay increases, benefit increases, inflation, investment returns, discount rate, mortality, changes to employment levels and behaviours of members on retirement.
Wandsworth Pension Valuation Report 2019 gives further information on the valuation process.

Key Data & Assumptions	31st March 2016 % p.a.	31st March 2019 % p.a.
Primary rate	18.0%	19.6%
Salary Increases	3.9%	3.6%
Pensions Increases (CPI)	2.4%	2.6%
Discount Rate / Long Term Investment return	4.7%	4.5%
Commutation	50% of max	50% of max
Life expectancy age 65		Years
Current pensioners age 65 - men		21.7
Current pensioners age 65 - women		24.3
Future pensioners age 45 - men		23.1
Future pensioners age 45 - women		25.8

The 2019 valuation gave a 105% funding level after allowing for a 10% asset shock reserve (approx. £0.2bn). The asset shock reserve was created to allow for smoothing of market volatility and therefore was available to mitigate the loss of £0.2bn in asset value during 2019/20. This loss was mainly due to market volatility and not any intrinsic impairment to the underlying assets (although some may have an ongoing loss due to changes to the economy and behaviours once a new normal is established). The Fund's performance report to Joint Pensions Committee on 16th September 2020 reported asset values of £2.4bn supporting the assumption this position.

The investment return required in the valuation of 4.5% is a long term assumption taking into account market volatility and compares favourably with the actual return of 11% over the 3 years since the 2016 valuation (which assumed 4.7% return). The quarterly return reported to September Committee was +11.8%, again supporting recovery from the market value loss which was in any case mitigated by the asset shock reserve. The recent asset allocation review aimed to generate returns above the discount rate to increase prudence in the investments.

In the short term, the Fund is dependent on cash flows to make pension payments required by LGPS regulations.

The Fund recognises it is cash flow negative in dealing with members and therefore has existing plans in place to cover this cash deficit from investment returns and potentially liquidation of assets if needed in later years. The Fund held £52m in cash at 31st March and currently has a 60% asset allocation to equity which could be liquidated very quickly if needed.

Richmond and Wandsworth councils represented 74% of regular contributions to the Fund during 2019/20, and as administering authority, Wandsworth is the funder of last resort. The

Fund therefore received the majority of its income from public bodies backed by the government, as well as having recourse to one of these bodies for short term lending if needed, giving a high level of certainty over cashflows.

PFNote 31 Long Term Debtors

31st March 2019		31st March 2020
£000		£000
	Long Term Debtors	
0	Opening Balance	94
98	Lifetime tax allowance paid in year	934
(4)	Recovery from pension in year	(43)
94		**985**

PFNote 32 Current Assets & Liabilities

Balance at 31st March 2019		Balance at 31st March 2020
£000		£000
	Current Assets	
4,392	Cash at Bank	**3,746**
817	Contributions Due	1,365
151	VAT recovery due	43
187	Amount Due from Richmond & Wandsworth	1,056
29	Overpaid Pensions	0
373	Sundry Debtors	81
1,557		**2,545**
	Current Liabilities	
(661)	Unpaid Benefits	(357)
(344)	Fund Managers' fees	(322)
0	Amount Due to Richmond & Wandsworth	(937)
(748)	Amount Due to HMRC	(748)
(4)	Pensions Due to Estate of deceased pensioner	(2)
(412)	Sundry Creditors	(188)
(2,169)		**(2,554)**

PFNote 33 Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions (who took on Equitable Life policies from 1st January 2020). AVCs are entirely separate from the Fund Accounts.

31st March 2019 £000		31st March 2020 £000
	Market Value of AVCs	
3,738	**Balance at the Beginning of the Year**	**3,964**
651	Investments Purchased with AVCs	366
(605)	Sale of Investments to settle Benefits Due to Members	(505)
180	Change in Value of AVCs (investment income and changes in market value)	1
3,964	**Balance at End of the Year**	**3,826**

PFNote 34 Agency Services

The Wandsworth Pension Fund pays discretionary awards to former employees of London Borough of Richmond and some associated employers of the ex-LB Richmond Fund to which this Fund is the successor body. The amounts paid are fully reclaimed from the employer bodies.

The amount paid on behalf of LB Richmond for 2019/20 was £0.867m (£0.878m in 2018/19), with payments on behalf of other employers totalling less than £200k in both years.

PFNote 35 Related Party Transactions

Governance (Control of the Fund)
In 2016/17 the London Borough of Richmond (LBR) Pension Fund was merged into the Wandsworth Borough Council (WBC) Pension Fund to facilitate the Shared Staffing Arrangement (SSA) being set up by the two councils. Under the SSA all former LBR and WBC staff are now jointly employed by both councils.

This merged fund is controlled by the Joint Pensions Committee with three members from the former LBR Pension Fund Committee being co-opted to the existing WBC Pension Committee. Of the nine members serving on the Committee, three members have a deferred benefit in the scheme. Each member of the Pension Fund Committee is required to declare their interests.

In addition, local pension board members Richard Perry, Graham Russell, Jeremy DeSouza, Susan Shaw and Peter Quirk are active members and Roy Roach and John Steer are pensioners in the Fund.
Details of how the scheme benefits are administered can be found at: www.lgps.org.uk

Wandsworth Council and Richmond Council under the Shared Staffing Arrangement (SSA)
Wandsworth Pension Fund is administered by Wandsworth Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The key officers responsible for the Pension Fund and all jointly employed as part of the SSA:

- Mr M Maidment (Director of Resources and Deputy Chief Executive)
- Mr P Guilliotti (Assistant Director - Financial Services)
- Mr M Doyle (Head of Pensions Shared Service)
- Mr M Smith (Pension Fund Controller)

They are all active members of the LGPS as SSA employees. The SSA is also the single largest employer of members of the Pension Fund. All contributions owing to and due from the Fund were paid in year.

There are also transactions between the Fund and SSA in respect of the services provided in administering the Fund, and with the Councils as employers in the Fund.

Wandsworth Council charged the Pension Fund £0.728m for expenses incurred in administering the Fund in 2019/20 compared to £0.754m in 2018/19. The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in PFNote 11. This includes an element of the salary of the Director of Resources and Deputy Chief Executive. His total remuneration is required to be disclosed in the administering authority's accounts due to his role. The figures given below reflect the total remuneration, not the value attributable to the Fund:

2019/20	**Salary (including fees and allowances)**	**Employers pension contribution**	**Remuneration including pension contributions 2019/20**
Director of Resources & Deputy Chief Executive - M. Maidment	137,421	24,736	162,157

The employer's contributions made by the SSA, Wandsworth (WBC) and Richmond (RuT) Councils are as follows:

Employer's contributions	**WBC**	**RuT**	**SSA**
- Normal	6,448	4,341	20,568
- Deficit	0	3,513	0
- Augmentation (Strain costs)	443	139	1,359
Total	**6,891**	**7,993**	**21,927**

Due to the strong relationship between the Council and the Pension Fund, it is deemed necessary to declare the Leader of the Council's interest as non-executive director of the London CIV with which the Pension Fund has investments. As at 31st March 2020 the Fund had £624m invested through LCIV, compared to £720m at 31st March 2019. More information on the funds invested in can be found in Note 17 Investments Analysed by Fund Manager.

PFNote 36 Key Management Personnel

Members do not receive additional allowance for their role in the Pension Fund.

Officers do not receive additional remuneration for their role in the Pension Fund. The charge made by Wandsworth Council for administering the Fund incudes the cost of officers, and is disclosed in PFNote 35 above.

PFNote 37 Contingent Liabilities and Contractual Commitments

Contractual Commitments
Outstanding capital commitments (investments) at 31 March 2020 were $187m (£150m) compared to US $152m (£117m) at 31 March 2019. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and tend to occur quarterly from the date of each original commitment, until the funds are fully subscribed.

Contingent Liabilities
Six admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. For one ceased employer, cessation costs have been allowed to be spread into the future, but a charge is held on property they own to mitigate the risk. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2019/20 or 2018/19.

PFNote 38 Accounting Standards Issued but Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully in the 2019/20 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. This amendment may change the Fund's IAS 19 reporting but the impact will depend on whether there are any settlements or curtailments in year and so impact cannot be estimated at present.

The following standards are not expected to directly impact the Fund accounts due to the nature of the Fund or its investments:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle

Annual Governance Statement 2019/20

ANNUAL GOVERNANCE STATEMENT 2019/20

SCOPE OF RESPONSIBILITY

Wandsworth 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. Wandsworth 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 includes arrangements for the management of risk.

Wandsworth Council has an approved code of corporate governance, which is being reviewed by the Council's Internal Audit team to ensure that it is in line with the 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 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 Wandsworth Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The CIPFA/SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of 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 Wandsworth 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 (Head of Paid Service), the Director of Resources (Section 151 officer under the Local Government Act 1972) and the Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to enable 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 enable their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the South London Legal Partnership as required.

The Council's Whistleblowing Policy and Procedure was revised in October 2016 for the commencement of the Shared Staffing Arrangement with Richmond Council to ensure that it remains effective in terms of reports of possible fraud or financial irregularities. 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 Council reviews its strategy and priorities on an annual basis and this is reflected in the current Corporate Business Plan - the Corporate Objectives for which were approved by the Executive, with the support of the Finance and Corporate Resources Overview and Scrutiny Committee, on 4th July 2019 (Paper No. 19-199) - which sets out how it will achieve its objectives of delivering high quality, value for money services.

The Plan is published on the Council's website and is available using the following link:

https://www.wandsworth.gov.uk/the-council/how-the-council-works/council-plans-and-policies/corporate-business-plan-cbp/corporate-business-plan-2019/

Each Overview and Scrutiny Committee (OSC) reviews the progress that has been made in the previous year's key issues in relation to that Committee and agrees the objectives and issues for the current year. Key Issues are added or amended where they reflect, for example, major areas of service developments, new legislative requirements or where there are have been significant performance issues raised during the year.

The Council has a well-developed suite of tools for consulting stakeholders and residents, with information provided on the Council’s website which also provides regular feedback on meetings and publishes regular magazines and an annual report. The Council’s web pages and its Borough magazine (“Brightside”) are available in a number of formats and help is available for stakeholders whose first language is not English. The online consultation portal has been used extensively during the year and 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.

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 uses a variety of performance indicators to monitor how well its services are performing in meeting the needs of our service users and to measure their efficiency and value for money. The Council’s over-arching objective of a distinctively low council tax is the main driver for value for money, together with the Council’s procurement strategy that centres around the regular testing of the market place for services, supplies and works using, for the most part, the lowest price within the most economically advantageous tender award criteria.

The Council has a strong performance management culture and system. It sets targets for achievement via its regime of Key Issues, top line performance indicators, policy items, and local and national performance indicators. Officer monitoring is rigorous with regular reviews of performance at both Departmental and Directors’ Board level. Challenging targets are also set for each indicator. The Council has a policy of striving to ensure that the services it provides perform amongst the best in London, and its targets are set accordingly.

Throughout the year the Council's various OSCs focus on a set of key indicators that provide feedback on performance against these 'toplines'. The toplines include a variety of indicators that relate to the delivery of the Council's priorities. Many of these indicators are defined and collected nationally through the data councils are required to submit to the Government each year. Others are locally defined to cover issues that are important locally. The toplines measure performance across a wide range of Council activity including adult and children's social services, education, housing, leisure services, libraries and street cleansing.

In 2019 the Council declared a Climate Emergency, setting a target to be a carbon neutral organisation by 2030 and zero-carbon by 2050. At the same time the Council published its ten-year Environment and Sustainability Strategy (WESS), which set out a roadmap for achieving this ambitious target. The Council’s leaders have acknowledged that this can’t be achieved alone and is underpinned by engagement and openness to collaborative working. The Council needs 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 in Wandsworth. The is a challenging endeavour that will have far reaching implications across the Councils operations.

Wandsworth local area received its SEND inspection in November 2019. The inspection identified a number of strengths in the area which included: Leaders having an accurate view of their overall effectiveness in implementing the reforms; the identification of additional health needs in children aged 0–5 is a strength and co-production, (a way of working where children and young people, families and those that provide the services work together to create a decision or a service that works for them all) is well established and effective.

However, as a result of the findings of the inspection, Her Majesty's Chief Inspector (HMCI) determined that a written statement of action is required because of significant areas of weakness in the local area's practice.
The specific areas of weakness across the partnership included: strategic planning; Education, Health and Care Plans (EHCPs) are of poor quality and timescales not consistently met and information gained from evaluation and quality assurance is not used well enough to further develop good practice.
It is anticipated that thee Wandsworth local area will be re-visited by Ofsted and the CQC in 2021/22 to determine whether the local area has made sufficient progress in addressing the areas of weakness.

Developing the entity's capacity, including the capability of its leadership and the individuals within it. Executive, non-executive, scrutiny and officer functions are defined in the Council's Constitution. It includes details of how decisions are made, including a scheme which sets out how powers have been delegated to officers. This scheme is regularly reviewed and updated to reflect relevant changes to the allocation of powers, revised departmental structures and operating procedures and has undergone significant review as the Council addresses the organisational needs of the SSA.

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 an agreed standards framework for Members and Officers, which incorporates a local Code of Conduct; there continues to be a stand-alone Standards Committee and a Member complaints procedure is in place which was approved by the Standards Committee, on 16th March 2017 (Paper No. 17-85). All these measures are designed to ensure that the current high level of standards is maintained.

There are Members' and Officers' Codes of Conduct, all of which are kept under regular review and are supplemented by guidance. With the move towards being a commissioning council and increased involvement of third parties, and also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflicts of interests. The Code of Conduct for Officers (updated in October 2016 to reflect the needs of the Shared Staffing Arrangement) sets out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality. The Members' Code is included in the Council's Constitution.

The Council has adequate procedures for investigating incidents where standards have not been met, implementing action plans to address any deficiencies.

The development needs for Members are seen to be adequately addressed both in terms of induction training and focussed continuous training. Officers have a formal appraisal process where training needs are adequately identified and catered for. The Council acknowledges the need to ensure that there are effective succession plans in place as this is key to the continued level of service delivery.

Managing risks and performance through robust internal control and strong public financial management. The Council's Constitution contains the specified items and the local decision-making process and scrutiny roles 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 Corporate Risk Specialists and Heads of Service

reviews maximises the opportunity to identify key risks of the Council achieving its objectives. A series of workshops were run during the year to provide support to all Heads of Services with this process.

It is acknowledged that it is not possible to eliminate all risks and that the review framework is not an absolute assurance of effectiveness. However, the regular review by Service Heads and Corporate Risk Specialists ensures that there is an appropriate mechanism to identify emerging threats and changes to priorities together with the impact should such an incident occur.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability. The Council has entered into a Shared Staffing Arrangement with Richmond Council with effect from 1st October 2016, and in doing so has developed an Inter Authority Agreement between the two authorities; also the Council has updated its Constitution to ensure that the governance arrangements are effective and follow good practice.

The Council's main partnerships include Audit and Fraud, Community Safety, Legal, Pensions, and the Health and Wellbeing Board, each of which are operated through partnership agreements and approved by the Executive, following consideration by the relevant OSC.

The Audit Committee operates in accordance with the CIPFA guidance entitled '*Audit Committees – Practical Guidance for Local Authorities'*. The Committee normally meet three times a year and provide an independent assurance on the Council's governance arrangements. When they are not able to meet the relevant papers are circulated to all Members of the Committee for comment and then formally authorised under the provisions of Standing Order No.83.

REVIEW OF EFFECTIVENESS

Wandsworth 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. For many years, Wandsworth has had in place the executive arrangement known as the "strong leader" model, i.e. a Leader who appoints the executive Members. Therefore, there was little substantive difference between the existing arrangements and the comparable model allowed under the 2007 Act. There have been no issues identified that have given any cause to alter the current arrangements.

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 each of the OSCs and the regulatory and other committees and their sub-committees. It includes a definition of the roles and responsibilities of Councillors and the statutory Scheme of Delegations to Officers.

The Rules of Procedure for Council and committee meetings are set out in the Constitution which also includes a number of the Council's key directives namely:

- The Budget and Policy Framework;
- The Financial Regulations;
- The Procurement Regulations;
- The Code of Conduct for Members; and
- Definitions of the roles of statutory officers.

There are protocols in place that regulate corporate officer input to committee reports and advice whereby all statutory officers and other professionals are provided with the opportunity to comment upon all detailed proposals. This is, for the most part, operated properly in practice and this contributes to an effective decision-making framework.

The Executive. The Council is responsible for the overall budget and policy framework although, in accordance with the relevant legislation (primarily the Local Government Act 2000), the Executive is the main decision-making body for most functions and services within the framework. It sets out the Council's core objective through the approval of the Council's Business Plan, which incorporates priorities for improvement and the Medium-Term Financial Strategy. The Council's Constitution details those functions for which the Executive has sole discretion and those which are must be the subject of its recommendation to the full Council.

The Executive ensures that standards and performance levels are maintained through its performance management framework and resident feedback thus ensuring that the quality of Council services remains high and that there are effective measures in place to take remedial action where appropriate.

The Audit Committee. The Audit Committee has considered a number of reports to ensure that the Council's governance arrangements including internal control are effective and operated robustly and that there are timely and effective action plans in place to address them. In particular, it has carried out its annual review of the Council's Risk Management Strategy and found it to be fit for purpose and operated robustly. It has approved the Council's Accounts for 2018/19 together with a report from the External Auditor. It has also considered the External Auditor's Annual Audit and Inspection letter for 2018/19.

The Overview and Scrutiny function. The model adopted by the Council, under the Local Government Act 2000, is for the scrutiny process to take place prior to decisions on proposed actions, thereby allowing appropriate OSCs to carry out their role in advance of implementation. OSCs also receive progress reports updating them on the progress of all the Council's key initiatives. OSCs can decide on any comments to be made that will then be conveyed to the Executive, or the appropriate regulatory or other committee, to consider.

The Standards Committee. The standard of conduct by Members at Wandsworth remains very high with only a small number of complaints in the last decade. During 2019/20 there were 2 concluded complaints, the outcomes of which were reported in full to the Standards Committee in June 2020. The Council has a local Code of Conduct for Members which is reviewed in full regularly. The Council retains a stand-alone Standards Committee that has met twice in the previous year.

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 departments in order to address all the findings. Robust review mechanisms are in place that enable the 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 actions, with key items being reported to the Audit Committee.

The Director of Resources. By law, under Section 151 of the Local Government Act 1972, and as set out in the Council's Constitution, the Director of Resources has a number of control responsibilities. This role, which is supported by Members and Directors, and that of officers within the Resources Department, is to ensure that the Council has sound controls for the administration of its financial affairs.

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

CONCLUSION

The review of effectiveness on the Council's governance arrangements found that for the majority of services the control environment was satisfactory. It is not possible to eliminate all risks of failure and there were some areas where the Council's high expectations were not met and/or progress has been slower than originally expected. The control framework is an ongoing process and therefore where issues were identified action plans were agreed with the relevant Director with a view to progress being reviewed within 6 months of the report. The Council's review mechanisms are an effective framework for maintaining satisfactory governance arrangements including identifying any issues and for monitoring and securing their implementation.

There are some common control themes for improvement plus a diverse range of service issues to be addressed and the Annual Governance Statement identifies continuing actions on the significant governance issues.

CERTIFICATE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance can be found using this link (to be inserted following consideration by the Audit Committee)), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) Devolved Management Organisations

In recent years, many audits receiving Limited Assurance opinions related to Devolved Management Organisations (DMOs). In 2019/20, five Limited Assurance and one No Assurance Audits related to Residential Management Organisations (there was five limited assurance DMOs in 2018/19). DMOs have a greater level of autonomy, with delegated responsibility over areas of high risk such as financial management, human resources and procurement, which has resulted in a higher than average breach of controls.

Due to the continued number of issues being identified the audit approach for RMOs was revisited towards the end of 2019/20 and audits that will be completed in 2020/21 will include a review of the management and oversight function to target Council staff with oversight responsibilities as well as RMO staff.
One of the Limited Assurance audits relates to a maintained school and Internal Audit continues to work closely with officers in the Children's Services Department and schools themselves to improve internal control which has assisted in maintaining the low number of Limited Assurance audits for schools.

(b) Data Security
The challenges to delivering effective data security management require constant review especially following key data protection legislation changes. Failure to act responsibly when handling personal data could place the Council at risk of significant financial penalties and reputational damage, should personal data be inappropriately disclosed or misused, whether deliberately or accidentally.

Action has been taken to ensure that systems and processes are compliant with GDPR and the ISO27001 Certification is in place across both Richmond and Wandsworth administrative sites. The requirements apply to all personal data sets used by the Council whether directly or through the engagement of third party/contracted data processors. The Council's ability to ensure lawful processing is exercised by third party/contracted data processors is applied through a combination of robust procurement controls and by service leads through contract management.

Twenty-one audits, Including RMOs and Schools, completed in year contained one or more recommendations related to information governance and security

(c) Knowledge Management
The need to review how services are delivered and managed in light of ongoing significant changes to how local government is funded has resulted in substantial organisational changes including the removal of some tiers of management. The result has been a more streamlined senior management team with officers often taking up an enlarged portfolio of responsibilities but with reduced management support. Whilst this has achieved financial gains it can also impact service resilience and knowledge is spread across a reduced group of officers.

Management Teams are working with Human Resources to ensure service delivery knowledge is documented, supporting succession planning where required, and developments to the employee terms and conditions are being progressed to make the SSA an Employer of Choice amongst prospective applicants.

(d) OFSTED Inspection – Children's Services
As a result of the findings of a local area SEND inspection, Her Majesty's Chief Inspector (HMCI) determined that a written statement of action is required because of significant areas of weakness in the local area's practice.
The specific areas of weakness across the partnership included: strategic planning; Education, Health and Care Plans (EHCPs) are of poor quality and timescales not consistently met and information gained from evaluation and quality assurance is not used well enough to further develop good practice.
It is anticipated that thee Wandsworth local area will be re-visited by Ofsted and the CQC in 2021/22 to determine whether the local area has made sufficient progress in addressing the areas of weakness

(e) Contract Management
The Council continues to utilise external parties to provide its services where they provide effective and economic benefits to do so. However, unsatisfactory service delivery through partners and contractors could put services to residents and clients at risk so there is a need to ensure that effective contract monitoring arrangement are in place. Six audit reports included recommendations related to Contract Management. The risk of service disruption due to poor service delivery or contractor failure is 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.

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

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

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

Directors Board endorsed an initial review by Internal Audit to evaluate how a corporate approach to contract management training and guidance for officers could deliver improvements. Following this initial report Directors Board agreed that a further piece of work should be commissioned with an external expert with a view to providing recommendations that will be reported back later in the year.

(f) Business Continuity and Disaster Recovery

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

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

(g) Covid -19

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

Of note are the number of staff homeworking introducing risks around data security, information governance and IT Business Continuity, the significant sums of money moving through the Council in the form of grants and the need to use technology in new ways to ensure continuity of services.

Whilst there has been a need to work flexibly and streamline some control processes there is a risk that this goes too far.

The Council's Internal Audit and Fraud teams have played a significant part in shaping the processes to administer the business rates grant and discretionary grants scheme and are assisting departments with control change decision making.

(h) Facilities Management

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

Signed: ………………………………………………………………………………

Cllr Govindia	P Martin
Leader of the Council	Chief Executive

On behalf of Wandsworth Council

Independent Auditor’s Report to the Members of Wandsworth Pension Fund

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund 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

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

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

Other information

The other information comprises the information included in the Accounts for the year 2019/20, other than the financial statements and our auditor’s report thereon. The Director of Resources and Deputy Chief Executive is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of the Director of Resources and Deputy Chief Executive's Responsibilities set out on page 13, the Director of Resources and Deputy Chief Executive is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of Wandsworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson
Ernst + Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
8 February 2021

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have changed.

ASSET

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

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock).
- A non-current asset provides benefits to the authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

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 Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the authority.

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

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

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The authority’s borrowings less cash and liquid resources.

NON-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

There is a detailed definition of related parties in IAS 24. For the Council's purposes related parties are deemed to include the authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE

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.

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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