

# **Wandsworth Council**

## **Audited Accounts for the year 2022/23**

**Audited  
3 December 2024**

[www.wandsworth.gov.uk](http://www.wandsworth.gov.uk)

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## Narrative Report

### **Introduction**

This is the Statement of Accounts of Wandsworth Council for the financial year 2022/23. 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:

<b>Core Statement</b>	<b>Purpose/relationship with other statements</b>
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

The local elections in May 2022 resulted in a change of administration in the Council for the first time in 44 years. The new administration's manifesto promised change and, this has been reflected within the Council's new corporate plan 2022 to 2026. This can be viewed online at <https://www.wandsworth.gov.uk/the-council/how-the-council-works/council-plans-and-policies/corporate-plan/>. The plan prioritises the issues that residents have told us matter to them: a fairer Wandsworth, a compassionate Wandsworth and a more sustainable Wandsworth.

### **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/s102489/A06%2023-111%20-%20Annual%20Review%20of%20Risk%20Management.pdf>

### **The Covid-19 pandemic**

The impact of the Covid-19 pandemic has been much less significant during 2022/23 than 2021/22, with limited impact on services through the year. The 2022/23 budget included a £2m contingency for Covid-19, which was allocated to services with reduced income levels during the year. The impact for 2023/24 onwards has been reflected within the normal budget setting processes.

### **Cost of Living**

In response to cost of living pressures, during 2022/23 the Council set aside £5.7m in a Cost of Living Reserve to assist residents and business during the crisis. £3.2m of this funding has been allocated to date, of which £1.6m has been spent in 2022/23. In addition the Council has maximised its use of the Government's Household Support Fund grant, spending in full its allocation of £2.1m of Household Support Fund tranche 2 and £2.1m of Household Support Fund tranche 3. Further plans are in place to continue this cost of living work in 2023/24.

### **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](http://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:

<b>Committee</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Health	86,310	85,498	-812
Environment	43,464	41,717	-1,747
Children's	85,188	86,182	994
Finance	-3,237	-8,942	-5,706
Housing	15,209	16,680	1,470
Transport	-6,127	-2,717	3,410
	<b>220,807</b>	<b>218,418</b>	<b>-2,391</b>
Planned Slippage into 2023/24		1,996	1,996
<b>Total Committee Expenditure</b>	<b>220,807</b>	<b>220,414</b>	<b>-394</b>

There are a number of budgets approved for 2022/23 but on a short-term basis that span the financial year end. The unspent budgets for these programmes (-£2m) need to be re-established ("slipped") into 2023/24 to enable completion of the programmes and the budgets for these are requested to be rolled over to 2023/24.

The most significant variances are: higher income on investment balances than budgeted (-£1.8m); an underspend on property services (-£1m) due to variances on utility costs, reduced income from parking due to ongoing behavioral changes post Covid-19 (£2.3m); plus the write back of unused provision for invoice payments (-£1m).

Further information on the Council's financial performance is reported to the Finance Committee and the Executive 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?CIId=766&MIId=8854&Ver=4>.

### **Revenue Reserves**

The opening General Fund working balance was £16.2m at 1 April 2022 and was budgeted to drop in year to the agreed contingency level of £13.5m reflecting spending funds carried forward from 2021/22. The General Fund balance was finalised at £14.6m at 31 March 2023, with some of the in-year underspend set aside for specific projects. A subset of the Council's revenue reserves, summarised in Note 13 have increased by £5.6m to £205.0m. When considered as a whole earmarked reserves have increased by £53.7m during the year from £317.9m to £371.6m, largely as a result of changes in the accounting treatment of section 106 receipts.

### **Treasury Management**

Treasury investment income performed very well over the year as a direct result of higher cash balances (£788m average) against a high interest rate environment. The higher balances were due to a number of factors including higher opening cash balances than anticipated when the budget was set, 2022/23 capital programme reprofiling reflecting spend being lower than expected, and other large receipts received in year.

External debt reduced from £52m to £34m 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 £37.1m. The outturn against planned budget was as follows:

Committee	Budget	Expenditure	Variance
	2022/23	2022/23	2022/23
	£'000	£'000	£'000
Health	1,339	1,060	-279
Environment	13,430	5,544	-7,886
Children's	5,766	5,172	-594
Finance	27,589	11,055	-16,534
Housing	1,471	1,476	5
Transport	24,020	12,753	-11,267
<b>Total</b>	<b>73,615</b>	<b>37,060</b>	<b>-36,555</b>
<b>Financed by:</b>			
Capital Receipts	21,649	15,387	
Grants and Reimbursements	14,508	9,898	
CIL and Section 106 Receipts	36,851	11,465	
Revenue Contributions	607	310	
<b>Total</b>	<b>73,615</b>	<b>37,060</b>	

Unspent budget on schemes will be slipped into future years where appropriate. At the end of the year the Council held £20.1m (£31.4m 2021/22) of General Fund usable capital receipts.

### Schools Budget

The Dedicated Schools Budget (DSB) was overspent by a net total of £5.8m in year. The main pressures are in the High Needs Block. The main drivers of expenditure are increased volumes of Education, Health and Care Plans (EHCPs), complexity of need, as well as the increased average cost of school placements in the independent sector, compounded by reaching capacity in local state funded special school provision. The number of EHCPs granted nationally has steadily increased over the years and this is reflected in Wandsworth. The deficit brought forward from 2021/22 of £4.6m together with the in-year overspend leaves a deficit balance of £10.4m which will be carried forward into 2023/24. Further information on the impact of the overspend can be read about in the outturn report referenced above.

### Council Housing

Housing Revenue Account (HRA) budgets for 2022/23 assumed net use of reserves in the year of £62.1m from an opening balance of £282.8 million. Actual income and expenditure in the year generated a net deficit of £27m, 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 £255.8m. 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 £0.9m: a £4.3m surplus in relation to Council Tax and a £5.2m deficit for Business Rates. The Council is liable for 30% of the Business Rates deficit which is collected from the General Fund over the next two 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.

As at 31 March 2023 the Fund has changed from having a net liability of £125.3m to a net asset of £356.2m. This change is largely attributable to external factors, with the discount rate assumed for employers being higher than assumed in 2021/22. A higher discount rate results in a lower value being placed on the defined benefit obligation and an improvement in the overall position.

The latest triennial valuation at March 2019 noted the Fund had a small surplus and set the Council's contribution rate as 19.1% of pay from 1 April 2023 (previously 18%). The Council had set aside £43.4m in a Pensions Resilience Reserve to offset the effects of the potential for increased employer contributions and is expecting to draw down around £0.8m for each of the next three years.

### **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, inflation and increasing demographic pressures on some services. 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. 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 will need to be updated to reflect the new administration's priorities, and an updated version will be published in October reflecting the continuing circumstances resulting along with other developments to the Council's finances.

## 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 Executive Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### Responsibilities of the Executive Director of Finance

The Executive Director of Finance 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 Executive Director of Finance:

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

The Executive Director of Finance 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 2023 and its income and expenditure for the year ended 31 March 2023.



**Fenella Merry**  
**Executive Director of Finance**  
**3 December 2024**

**Date authorised for issue:** This Statement of Accounts is authorised for issue on 3 December 2024 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 (or rents). Authorities raise taxation (or rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2021-22				2022-23		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
322,028	(215,201)	106,827	Children's	337,165	(229,864)	107,301
49,672	(12,223)	37,449	Environment	50,854	(11,365)	39,489
208,685	(179,701)	28,984	Finance	187,018	(158,541)	28,477
145,570	(87,749)	57,821	Health	159,832	(87,213)	72,619
46,406	(26,938)	19,468	Housing	54,263	(35,869)	18,394
139,401	(147,120)	(7,719)	Housing Revenue Account	153,901	(155,725)	(1,824)
152,432	(161,608)	(9,176)	Transport	70,796	(125,601)	(54,805)
<b>1,064,194</b>	<b>(830,540)</b>	<b>233,654</b>	<b>Cost of Services</b>	<b>1,013,829</b>	<b>(804,178)</b>	<b>209,651</b>
7,480	(21,783)	(14,303)	<i>10</i> Other Operating Expenditure	66,010	0	66,010
65,504	(73,119)	(7,615)	<i>11</i> Financing and Investment Income and Expenditure	97,084	(114,124)	(17,040)
0	(268,799)	(268,799)	<i>12</i> Taxation and Non-Specific Grant Income	0	(271,596)	(271,596)
<b>1,137,178</b>	<b>(1,194,241)</b>	<b>(57,063)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,176,923</b>	<b>(1,189,898)</b>	<b>(12,975)</b>
		(44,194)	<i>14</i> Surplus or deficit on revaluation of Property, Plant and Equipment			(120,247)
		(285,495)	<i>44</i> Remeasurement of the net defined benefit liability / asset			(502,724)
		<b>(329,689)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(622,971)</b>
		<b>(386,752)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(635,946)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services, i.e. reserves that hold unrealised gains and losses and reserves that hold timing differences.

31 March 2022			31 March 2023	
£000	Notes			£000
2,827,101	14,15	Property, Plant and Equipment		2,949,873
1,351	16	Heritage Assets		1,351
72,928	17	Investment Property		70,111
79,042	20	Long-Term Investments		100,438
38,707	20	Long-Term Debtors		38,644
<b>3,019,129</b>		<b>Long Term Assets</b>		<b>3,160,417</b>
494,125	20	Short-Term Investments		561,746
1,054	24	Assets Held for Sale		1,054
4,540	19	Inventories		4,431
158,070	21	Short-Term Debtors		125,248
176,669	23	Cash and Cash Equivalents		87,742
<b>834,458</b>		<b>Current Assets</b>		<b>780,221</b>
(17,909)	20	Short-Term Borrowing		(17,808)
(181,250)	25	Short-Term Creditors		(156,021)
(6,473)	26	Provisions		(7,651)
(30,680)	39	Grants Receipts in Advance - Revenue		(7,709)
(218)	39	Grants Receipts in Advance - Capital		(217)
<b>(236,530)</b>		<b>Current Liabilities</b>		<b>(189,406)</b>
(39,582)	20	Long-Term Creditors		(39,582)
(6,874)	26	Provisions		(6,686)
(34,403)	20	Long-Term Borrowing		(17,202)
(125,271)		Other Long-Term Liabilities		356,220
(7,758)	39	Grants Receipts in Advance - Capital		(4,867)
<b>(213,888)</b>		<b>Long Term Liabilities</b>		<b>287,883</b>
<b>3,403,169</b>		<b>Net Assets</b>		<b>4,039,115</b>
(828,352)	27	Usable Reserves		(847,399)
(2,574,817)	28	Unusable Reserves		(3,191,716)
<b>(3,403,169)</b>		<b>Total Reserves</b>		<b>(4,039,115)</b>

*Fenella Merry*

Fenella Merry

3 December 2024

## 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	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>		<b>(16,221)</b>	<b>(317,923)</b>	<b>(147,799)</b>	<b>(31,391)</b>	<b>(135,033)</b>	<b>(179,985)</b>	<b>(828,352)</b>	<b>(2,574,817)</b>	<b>(3,403,169)</b>
Surplus or deficit on the provision of services	<i>CIES</i>	45,088		(58,062)				<b>(12,974)</b>		<b>(12,974)</b>
Other Comprehensive Income / Expenditure	<i>CIES</i>								(622,971)	<b>(622,971)</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>45,088</b>	<b>0</b>	<b>(58,062)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,974)</b>	<b>(622,971)</b>	<b>(635,945)</b>
Adjustments between accounting basis and funding basis under regulations	<i>9</i>	(97,700)		52,878	11,378	32,679	(5,307)	<b>(6,072)</b>	6,072	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>(52,612)</b>	<b>0</b>	<b>(5,184)</b>	<b>11,378</b>	<b>32,679</b>	<b>(5,307)</b>	<b>(19,046)</b>	<b>(616,899)</b>	<b>(635,945)</b>
Transfers to / from Earmarked Reserves	<i>13</i>	54,186	(53,713)	(473)				<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2022-23</b>		<b>1,574</b>	<b>(53,713)</b>	<b>(5,657)</b>	<b>11,378</b>	<b>32,679</b>	<b>(5,307)</b>	<b>(19,046)</b>	<b>(616,899)</b>	<b>(635,945)</b>
<b>Balance at 31 March 2023</b>		<b>(14,647)</b>	<b>(371,636)</b>	<b>(153,456)</b>	<b>(20,013)</b>	<b>(102,354)</b>	<b>(185,292)</b>	<b>(847,398)</b>	<b>(3,191,716)</b>	<b>(4,039,114)</b>

		<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Un- applied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<i>Notes</i>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2021</b>		<b>(15,519)</b>	<b>(298,543)</b>	<b>(139,332)</b>	<b>(23,405)</b>	<b>(159,516)</b>	<b>(142,033)</b>	<b>(778,348)</b>	<b>(2,238,536)</b>	<b>(3,016,884)</b>
Opening Balance Adjustment									467	<b>467</b>
Surplus or deficit on the provision of services	<i>CIES</i>	(18,557)		(38,506)				<b>(57,063)</b>		<b>(57,063)</b>
Other Comprehensive Income / Expenditure	<i>CIES</i>								(329,689)	<b>(329,689)</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>(18,557)</b>	<b>0</b>	<b>(38,506)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(57,063)</b>	<b>(329,689)</b>	<b>(386,752)</b>
Adjustments between accounting basis and funding basis under regulations	<i>9</i>	(1,525)		30,039	(7,986)	24,483	(37,952)	<b>7,059</b>	(7,059)	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>(20,082)</b>	<b>0</b>	<b>(8,467)</b>	<b>(7,986)</b>	<b>24,483</b>	<b>(37,952)</b>	<b>(50,004)</b>	<b>(336,748)</b>	<b>(386,752)</b>
Transfers to / from Earmarked Reserves	<i>13</i>	19,380	(19,380)					<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2021/22</b>		<b>(702)</b>	<b>(19,380)</b>	<b>(8,467)</b>	<b>(7,986)</b>	<b>24,483</b>	<b>(37,952)</b>	<b>(50,004)</b>	<b>(336,281)</b>	<b>(386,285)</b>
<b>Balance at 31 March 2022</b>		<b>(16,221)</b>	<b>(317,923)</b>	<b>(147,799)</b>	<b>(31,391)</b>	<b>(135,033)</b>	<b>(179,985)</b>	<b>(828,352)</b>	<b>(2,574,817)</b>	<b>(3,403,169)</b>

## 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.

<b>2021-22</b>			<b>2022-23</b>
<b>£000</b>	<i>Notes</i>		<b>£000</b>
(57,063)		Net (surplus) or deficit on the provision of services	(12,975)
(170,004)		Adjustment to surplus or deficit on the provision of services for noncash movements	(121,877)
118,273		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	85,851
<b>(108,794)</b>	<i>29</i>	<b>Net cash flows from operating activities</b>	<b>(49,001)</b>
102,122	<i>30</i>	Net cash flows from investing activities	153,561
(10,875)	<i>31</i>	Net cash flows from financing activities	(15,633)
<b>(17,547)</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>88,927</b>
159,122		Cash and cash equivalents at the beginning of the reporting period	176,669
<b>176,669</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>87,742</b>

## Note 1 - Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its year end position at 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Amendment) Regulations 2022. These regulations also require that the Accounts be prepared in accordance with proper accounting practices which are supported by the International Financial Reporting Standards (IFRS) These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 was supportive of this approach. Additionally central government increasing Council Tax increase thresholds for struggling Councils supports 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.

Over recent years the Covid-19 pandemic and cost of living crisis has required continuous urgent responses from the Council to put in place provisions which support residents and businesses. The Council continues to identify local challenges and to put in place schemes to support residents and businesses.

The Council has undertaken cash flow modelling through to March 2026 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum headroom in excess of £360m in 2023/24 and £320m in 2024/25.



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, over 12 months from 3 December 2024. 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 £723m at 31 March 2023 and the overall limit for total borrowing under the Treasury Management Policy 2022/23 of up to £150m in 2022/23. Current long-term borrowing will be £17m at the end of 2023/24, and new long-term borrowing could potentially be taken in 2023/24 up to £134m). 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 2023/24 or 2024/25.

### **1.3 Accruals of Income and Expenditure**

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

#### Income

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

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

#### Expenditure

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

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

#### Interest

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

#### Debtor and creditor balances (accrual policy)

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

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

#### Utility payments

Accruals are made for outstanding invoices (for example 4th quarter not paid by 31 March), but no accruals are calculated for consumption of utilities that have not been billed at 31 March. This departure from the Code is made on the basis that taking one year with another the effect of this treatment on the accounts is negligible and does not justify the additional time and cost necessary to accurately estimate consumption figures for the numerous cost centres affected.

### Income from Penalty Charge Notices (PCNs)

Income received from PCNs does not directly relate to the full recorded value of notices issued due to the incidence of discount for prompt payment, disputed notices and other mitigating circumstances. Consequently, income is recognised on cash basis. The effect of this treatment, taking one year with another, is estimated to be not material.

### De Minimis levels

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year end to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and was set at £10k for 2022/23.

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

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

### Revenue from contracts with service recipients

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

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

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

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

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

The total income from fees and charges is disclosed in Note 8 of the financial statements, Expenditure and Income Analysed by Nature.

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

## **1.4 Cash and Cash Equivalents**

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

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

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

### **1.5 Long term non-monetary assets**

The following categories of non-monetary long-term assets are recognised in the accounts where their value on initial recognition or subsequent upward revaluation exceeds de minimis levels set by the Council. Expenditure that falls below these levels is charged as revenue to the relevant service line in Cost of Services in the CIES. These de minimis levels are periodically reviewed and applied to avoid administrative efforts and cost in recording and accounting for long term assets where their value is 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.

### **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. IAS 8 includes the requirement to disclose, if retrospective restatement is impractical for a particular prior period, the circumstances that led to the existence of that condition and description of how and from when the error has been corrected.

### **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 as at 1 April 2023 being the start of the year in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable because of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are generally charged on an accruals basis in the CIES if detailed notification of redundancy has been issued before 31 March (see accounting Policy 1.28).

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

### Post-Employment Benefits

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

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The National Health Service (NHS) Pension Scheme administered by NHS Pensions.
- The 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 20 year gilts adjusted for credit spread.

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.
- Infrastructure – professional estimate.
- Private Debt – professional estimate.
- Bonds – market value.

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

- Service cost comprising:
  - Current service cost – the increase in 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.
- Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the CIES.
- Re-measurements of the net defined benefit liability (asset) comprising:
  - Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has occurred) and b) the effects of changes in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Wandsworth Council Pension Fund – cash paid as employer’s and employees’ contributions to the pension fund in settlement of liabilities.
- Benefits Paid (payments to discharge liabilities directly to pensioners) – a charge to the Pension Fund, reimbursed from the Council where there are unfunded discretionary benefits.

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

### Discretionary Benefits

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

### **1.10 Fair value measurement**

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

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

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

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

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

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

## 1.11 Financial Instruments

### Financial Liabilities

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

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

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

### Financial Assets

Financial assets are generally classified into two types:

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

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.

### Fair Value through Profit and Loss

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

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

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

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

For Pooled Investment Funds the Government has introduced a regulation to mitigate the effects of changes in fair value on the Council Tax payer for a period of 7 years from 1 April 2018 (IFRS 9 override). Changes in fair value are therefore 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. In anticipation of the IFRS 9 override ending on 1 April 2025, the Council has set up the IFRS9 Risk on Investments Earmarked Reserve.

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).

### Expected credit loss model

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.

## **1.13 Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (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). CIL collected on behalf of other bodies is treated as an agency transaction and as such only net cost of administration will be reported in the Council's Accounts.

## **1.14 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.

### **1.15 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).

### **1.16 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.

### **1.17 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 in an orderly transaction between market participants at the measurement date. 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.

### **1.18 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.

### **1.19 Leases**

IFRS 16 (Leases) is deferred until 1 April 2024 therefore leases are still classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

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

No finance leases are currently held.

#### Operating Leases

##### The Council as Lessee

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 relevant service line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 1.20 Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Infrastructure 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 - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but not less frequently than every 5 years. 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 calculated on the following bases:

- Operational property assets – straight-line allocation over the useful life of the property as estimated by the valuer
- 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 as estimated by a suitably qualified officer on acquisition.
- Infrastructure – straight-line allocation over 20 years.

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

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

#### Disposals and Non-current Assets Held for Sale

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

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

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.

### **1.21 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, considering 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 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.

## **1.22 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 transferring back into the General Fund balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

## **1.23 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.

## **1.24 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. The same principle applies to academies. 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.

### **1.25 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.

### **1.26 Events After the Balance Sheet Date**

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

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

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

### **1.27 Long Term Contracts**

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services transferred to the service recipient under the contract during the financial year.

### **1.28 Redundancy Costs**

The Council raises a provision for redundancy costs when communication of the decision to involved parties has been made, therefore giving a valid expectation that closure of employment will take place. If a detailed notification of redundancy has been issued before



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

### **1.29 Infrastructure Assets**

In response to concerns raised in 2022, in January 2023 CIPFA prescribed a temporary statutory override be applied to infrastructure assets up to and including the 2024/25 financial year. As a result, Infrastructure Assets are reported separately from other Property, Plant and Equipment, and do not include disclosure of gross cost and accumulated depreciation.

### Note 2 - Accounting Standards Issued, Not Adopted

The Code requires changes in Accounting Policy to be applied retrospectively unless alternative transitional arrangements are specified. The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code, and therefore not required to be adopted by the Council.

IFRS 16 (Leases) will require local authorities to recognise assets on their Balance Sheet where any contract gives rise to a 'right of use asset'. Currently, a distinction exists between operating and finance leases for lessees. Finance leases are accounted for as acquisitions (asset on the Balance Sheet) and operating leases are expensed in year therefore are not currently required to be reported on lessee balance sheets. IFRS 16 largely removes this distinction unless it is a short term (12 months or less) or low value contract. For lessors, the reporting requirements are largely unchanged as under the revised IFRS 16 there is still a distinction between operating and finance leases. The implementation of IFRS 16 has been deferred until 1 April 2024 and the Council is not voluntarily adopting IFRS 16 in the 2023/24 financial year therefore no estimation of impact is included in the 2022/23 Statement of Accounts.

All other accounting changes introduced by the 2023/24 Code are minor and do not affect the Council.

### 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.

In view of the economic position and the uncertainty over future funding levels, the Council has planned efficiency savings. Staffing levels have been reduced and the cost of redundancies has generally been met from savings, flexible capital receipts and reserves.

#### Shared Staffing Arrangement (SSA) with Richmond Council

Under the SSA many costs (largely staff costs) are shared between the two councils. Generally, the amounts charged to each council continue to be calculated by service area and apportioned according to each council's requirement for the SSA. A schedule is prepared and reviewed annually and details the apportionment (and methodology) of the shared costs. Full

details on the basis for sharing costs was approved by the Council in April 2016 and can be found at the following link at Item 8 Appendix A:

<https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=296&MId=5203&Ver=4>

The majority of costs are split between the two councils based upon the latest annual budget apportionments in each council unless they do not work jointly, in which case costs are charged directly to the respective council. Non salary costs have not been charged as part of the SSA as in the main they are clearly attributable to a sovereign council unless relating to staffing in which case the costs follow the same apportionment as the staff they relate to.

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.

## 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. Judgements may be impacted by inflation and transactions that may have not been previously considered material may become material due to increased value.

There are a number of items in the Council's Balance Sheet at 31 March 2023 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 five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. 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 £0.4m.

As at the valuation date, the after effects of the pandemic continue to affect economies and property markets globally, with property markets specifically experiencing lower levels of transactional activity and liquidity. Additionally, the rapid Bank Rate increases through 2022/23 to try and reduce high inflation, have also impacted the property market. The Council's external valuers have used substantial transaction volumes and other reliable market evidence to provide reliable asset valuations.

The Council's external valuer are not aware of any specific impact to the value of assets within the portfolio. For the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. Note 14 provides further information on Property, Plant and Equipment and Note 16 on Investment Property.

## Provisions

At 31 March 2023, the Council had an insurance provision of £6.6m (£7.0m in 2021/22) 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. In doing this, a provision is made for claims outstanding 31 March which are more likely than not to be settled. The Council takes the expert advice in the form of a regular insurance actuarial review of the self-insurance balance to ensure it is sufficient. The total balance at the end of 2022/23 is £14.8m.

## Pensions Liability

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 £61m. However, the assumptions interact in complex ways.

For 2022/23, the Council's Actuary has reported a change from a net pensions liability to a net asset (£125m liability to a £356m asset). The change is largely attributable to external factors, with the discount rate assumed for employers being higher than assumed in 2021/22. A higher discount rate results in a lower value being placed on the defined benefit obligation and an improvement in the overall position. The impact of changes in assumptions is detailed in note 44.

## Arrears

At 31 March 2023, 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 2022/23 the following material items are not disclosed on the face of the CIES and therefore separately disclosed:

- HRA capital receipts totalling £26.9m were received in 2022/23 (£35.1m in 2020/21) including £15.7m Right to Buy receipts (£14.3m in 2021/22), of which none were required to be pooled to Government under amended statutory requirements (£2.6m in 2021/22).
- HRA capital grants and reimbursements totaling £35.7m were recognised in 2022/23 (£9.5m in 2021/22). This included amounts due from Winstanley and York Road Regeneration LLP (the Council's joint venture) to reimburse costs incurred through the HRA capital programme, and Greater London Authority Funding (GLA) grant funding to support the development of new council housing.
- From developments within the Nine Elms area the Council receives receipts from developers on an irregular basis which in part funded the Northern Line extension. In 2022/23 the Council received £25m in relation to a deed of agreement from Battersea Power Station (£105.7m in 2021/22) and made a payment to the GLA of £25m (£105.7m in 2021/22). Section 106 (S106) income from the Embassy Gardens site of £20m was

received in 2022/23 (£8m in 2021/22) and £8.2m from the Market Towers site was received in 2022/23 (Nil in 2021/22). A further £10.4m was received in CIL during the year from developers across the wider Nine Elms area (£15.2m in 2022/23).

- In 2022/23 the Council successfully bid for a £5m grant from the GLA Right to Buy Buyback Fund to support an acquisitions programme aimed at increasing the supply of affordable housing in the Borough. In total the Council purchased 51 properties at a total acquisition cost of £17.8m).

## Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director of Finance on 30 June 2023. Any material events occurring between the reporting period end (31 March 2023) and the authorised date of issue, both favourable and unfavourable should be reviewed. These events are either then adjusted or unadjusted in the Statement of Accounts.

There is one event after the Balance Sheet Date which is noted here for information. This has not been adjusted in the Statement of Accounts as is indicative of conditions that arose after the reporting period and is deemed not material in nature or amount to the Statement of Accounts as a whole.

The Council is part of a joint venture partnership operational from 22 June 2017 with Taylor Wimpey PLC to develop the York Road and Winstanley Estates. Both partners own 50% of the partnership and the principal activity of the partnership is that of property development. The joint venture is consolidated as part of the Council's Group Accounts.

The financial year end of the joint venture was 31 December with 2022 Accounts due to be filed with Companies House by 30 December 2023. As the audit of these Accounts had not been completed by that date the joint venture filed for a change (by one day) to the accounting reference date to allow a three-month extension. The revised date was then 30 December with a revised submission deadline for the 2022 audited Accounts of 29 March 2024. The audit of 2022 is now complete, and the audit opinion not modified. However, auditors of Winstanley and York Road, in forming their opinion, noted material uncertainty as to whether the joint venture was a going concern and is dependent on funding being received from both sides of the joint venture until the completion and sale of future units. At this time discussions around future funding remain ongoing, therefore if the joint venture's going concern status changed, the impact on the Council's Accounts is not deemed material and the Council would continue itself as a Going Concern. This is supported as per the following information.

As at 31 March 2024, in accordance with the legal agreements governing this development, the Council has put just over £38m of properties and land into the Joint Venture. Until the development phase reaches specific milestones the properties remain legally owned by the Council and will continue to be recognised as assets on the Council's Balance Sheet. The joint venture 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 would earn interest at 6% per annum which has been accrued in the Council's accounts. In addition, further land and property acquisitions valued at £17m have been purchased on behalf of the joint venture and invoiced, these properties remain owned by the Council. At present outstanding invoices total £10.4m which would not affect the Council's ability to continue as a Going Concern.

## Note 7 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (i.e. Government Grants, rents, Council Tax and Business Rates) by authorities in comparison with those resources consumed or earned by authorities in accordance with the Code. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's Service Committees. Income and expenditure accounted for under the Code is presented more fully in the CIES.

### Restated 2021-22

### 2022-23

Net Committee Expenditure	Adjustments	Net CIES Expenditure		Net Committee Expenditure	Adjustments	Net CIES Expenditure
£000	£000	£000		£000	£000	£000
83,682	23,145	106,827	Childrens	86,182	21,119	107,301
39,265	(1,816)	37,449	Environment	41,717	(2,228)	39,489
(7,469)	36,453	28,984	Finance	(8,942)	37,419	28,477
70,702	(12,881)	57,821	Health	85,498	(12,879)	72,619
10,453	9,015	19,468	Housing	16,680	1,714	18,394
0	(7,719)	(7,719)	Housing Revenue Account	0	(1,824)	(1,824)
(1,116)	(8,060)	(9,176)	Transport	(2,717)	(52,088)	(54,805)
<b>195,517</b>	<b>38,137</b>	<b>233,654</b>	<b>Net Cost of Services</b>	<b>218,418</b>	<b>(8,767)</b>	<b>209,651</b>
(196,219)	(94,498)	(290,717)	Other Income and Expenditure	(216,845)	(5,781)	(222,626)
<b>(702)</b>	<b>(56,361)</b>	<b>(57,063)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,573</b>	<b>(14,548)</b>	<b>(12,975)</b>
(453,394)			Opening Combined General Fund Balance	(481,943)		
(702)			Plus / less Surplus or Deficit on the General Fund	1,573		
(8,467)			Plus / less Surplus or Deficit on the Housing Revenue Account	(5,657)		
(19,380)			Plus / less movements to or from earmarked reserves	(53,713)		
<b>(481,943)</b>			<b>Total Combined General Fund Balance</b>	<b>(539,740)</b>		

The following table provides an analysis of the adjustments for the Expenditure and Funding Analysis:

	<b>2022-23</b>			
	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Childrens	(1,577)	17,258	5,438	21,119
Environment	(286)	728	(2,670)	(2,228)
Finance	1,968	1,871	33,580	37,419
Health	275	3,280	(16,434)	(12,879)
Housing	0	1,169	545	1,714
Housing Revenue Account	21,280	4,044	(27,148)	(1,824)
Transport	364	1,510	(53,962)	(52,088)
<b>Net Cost of Services</b>	<b>22,024</b>	<b>29,860</b>	<b>(60,651)</b>	<b>(8,767)</b>
Other Income and Expenditure	0	(8,626)	2,845	(5,781)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the CIES</b>	<b>22,024</b>	<b>21,234</b>	<b>(57,806)</b>	<b>(14,548)</b>

	<b>2021-22</b>			
	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Childrens	1,938	21,175	32	23,145
Environment	(85)	891	(2,622)	(1,816)
Finance	(69)	15,137	21,385	36,453
Health	293	4,098	(17,272)	(12,881)
Housing	611	1,524	6,880	9,015
Housing Revenue Account	27,340	5,612	(40,671)	(7,719)
Transport	124	1,892	(10,076)	(8,060)
<b>Net Cost of Services</b>	<b>30,152</b>	<b>50,329</b>	<b>(42,344)</b>	<b>38,137</b>
Other Income and Expenditure	0	7,442	(101,940)	(94,498)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>30,152</b>	<b>57,771</b>	<b>(144,284)</b>	<b>(56,361)</b>

## Note 8 - Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>	<b>Nature of Expenditure or Income</b>	<b>£000</b>
(276,674)	Fees, charges and other service income	(291,848)
(12,255)	Interest and investment income	(30,695)
(146,698)	Income from local taxation	(151,485)
(675,967)	Government grants and contributions	(632,442)
307,062	Employee benefits expenses	305,606
51,329	Support service recharge expenditure	46,359
642,361	Other service expenses	601,404
63,442	Depreciation, amortisation and impairment	60,461
8,542	Interest payments	796
4,885	Precepts and levies	4,956
2,595	Payments to Housing Capital Receipts Pool	0
(21,783)	Gain or loss on disposal of non-current assets	61,054
(3,902)	Movement in fair value of financial instruments	12,859
<b>(57,063)</b>	<b>Surplus or Deficit for Year</b>	<b>(12,975)</b>

## 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.

2022-23	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)	(18,137)	(3,097)				21,234
Changes in Fair Value of Pooled Investments	(12,859)					12,859
Council tax and NNDR (transfers to or from the Collection Fund)	12,098					(12,098)
Holiday pay (transferred to the Accumulated Absences reserve)	(2,512)	(381)				2,893
Transfer of Schools Budget deficit to DSG Unusable Reserve	(5,822)					5,822
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)	(71,882)	(18,364)			(66,620)	156,866
<b>Total Adjustments to Revenue Resources</b>	<b>(99,114)</b>	<b>(21,842)</b>	<b>0</b>	<b>0</b>	<b>(66,620)</b>	<b>187,576</b>
<u>Adjustments between Revenue and Capital Resources:</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	663	18,568	(19,231)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(191)	191			0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		25,834		(25,834)		0
Borrowing or liabilities met from the Housing Revenue Account		30,509				(30,509)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	441					(441)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	310					(310)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,414</b>	<b>74,720</b>	<b>(19,040)</b>	<b>(25,834)</b>	<b>0</b>	<b>(31,260)</b>
<u>Adjustments to Capital Resources:</u>						
Use of the Capital Receipts Reserve to finance capital expenditure			30,557			(30,557)
Capital Receipts debited to the Capital Adjustment Account on Repayment of loans			(139)			139
Use of the Major Repairs Reserve to finance new capital expenditure				58,513		(58,513)
Application of capital grants to finance capital expenditure					61,313	(61,313)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>30,418</b>	<b>58,513</b>	<b>61,313</b>	<b>(150,244)</b>
<b>Total Adjustments</b>	<b>(97,700)</b>	<b>52,878</b>	<b>11,378</b>	<b>32,679</b>	<b>(5,307)</b>	<b>6,072</b>



2021-22	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)	(51,388)	(6,383)				57,771
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	3,902					(3,902)
Council Tax and NDR (transfers to or from the Collection Fund)	12,953					(12,953)
Holiday pay (transferred to the Accumulated Absences reserve)	383	213				(596)
Transfer of Schools Budget deficit to DSG Unusable Reserve	(4,601)					4,601
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)	22,849	(49,415)			(74,865)	101,431
<b>Total Adjustments to Revenue Resources</b>	<b>(15,902)</b>	<b>(55,585)</b>	<b>0</b>	<b>0</b>	<b>(74,865)</b>	<b>146,352</b>
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	15,241	28,168	(43,409)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(185)	185			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,595)		2,595			0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		24,611		(24,611)		0
Borrowing or liabilities met from the Housing Revenue Account		33,030				(33,030)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	429					(429)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,302					(1,302)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,377</b>	<b>85,624</b>	<b>(40,629)</b>	<b>(24,611)</b>	<b>0</b>	<b>(34,761)</b>
<u>Adjustments to Capital Resources</u>						
Use of the Capital Receipts Reserve to finance capital expenditure			32,771			(32,771)
Capital Receipts on loan repayments debited to the capital adjustment account			(128)			128
Use of the Major Repairs Reserve to finance new capital expenditure				49,094		(49,094)
Application of capital grants to finance capital expenditure					36,913	(36,913)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>32,643</b>	<b>49,094</b>	<b>36,913</b>	<b>(118,650)</b>
<b>Total Adjustments</b>	<b>(1,525)</b>	<b>30,039</b>	<b>(7,986)</b>	<b>24,483</b>	<b>(37,952)</b>	<b>(7,059)</b>

## Note 10 - Other Operating Expenditure

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
4,885	Levies	4,956
2,595	Payments to the Government Housing Capital Receipts Pool	0
(21,783)	Gains/losses on the Disposal of Non-Current Assets	61,054
<b>(14,303)</b>	<b>Total Other Operating Expenditure</b>	<b>66,010</b>

## Note 11 - Financing and Investment Income and Expenditure

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
1,100	Interest payable and similar charges	796
7,442	Net interest on the net defined benefit liability (asset)	(8,626)
(6,706)	Interest receivable and similar income	(19,521)
(3,598)	Income and expenditure in relation to investment properties and changes in their fair value	(2,473)
(3,902)	Movement in fair value of financial instruments	12,859
(1,951)	Other (Trading Accounts)	(75)
<b>(7,615)</b>	<b>Total</b>	<b>(17,040)</b>

## Note 12 - Taxation and Non-Specific Grant Income

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(67,147)	Council tax income	(67,832)
(79,552)	Non-domestic rates income and expenditure	(83,653)
(54,886)	Non-ringfenced government grants and contributions	(61,365)
(67,214)	Capital grants and contributions	(58,746)
<b>(268,799)</b>	<b>Total</b>	<b>(271,596)</b>

## 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 in 2022/23.

	<b>Balance at 1 April 2021 £000</b>	<b>Transfers In 2021-22 £000</b>	<b>Transfers Out 2021-22 £000</b>	<b>Balance at 31 March 2022 £000</b>	<b>Transfers In 2022-23 £000</b>	<b>Transfers Out 2022-23 £000</b>	<b>Balance at 31 March 2023 £000</b>
<b>General Fund Reserves:</b>							
Financial Resilience Reserve	(81,052)	(19,830)	0	<b>(100,882)</b>	(3,463)	7,299	<b>(97,046)</b>
Pensions Resilience Reserve	(43,424)	0	0	<b>(43,424)</b>	0	0	<b>(43,424)</b>
Renewals Fund	(26,406)	(564)	257	<b>(26,713)</b>	(665)	495	<b>(26,883)</b>
Service Transformation Reserve	(11,683)	0	0	<b>(11,683)</b>	(99)	731	<b>(11,051)</b>
DSOs Reserve	(6,220)	(1,570)	313	<b>(7,477)</b>	(984)	708	<b>(7,753)</b>
Refugee and Homelessness Reserve	0	0	0	<b>0</b>	(7,374)	0	<b>(7,374)</b>
Cost of Living Reserve	0	0	0	<b>0</b>	(10,000)	1,600	<b>(8,400)</b>
Covid-19 Support Grant Reserve	(3,725)	(2,536)	498	<b>(5,763)</b>	0	5,763	<b>0</b>
Finite Services Fund	(1,410)	0	0	<b>(1,410)</b>	0	0	<b>(1,410)</b>
Specific Grant Reserve	(1,000)	0	0	<b>(1,000)</b>	0	0	<b>(1,000)</b>
Other	(218)	(2,724)	1,878	<b>(1,064)</b>	(739)	1,171	<b>(632)</b>
<b>Subtotal</b>	<b>(175,138)</b>	<b>(27,224)</b>	<b>2,946</b>	<b>(199,416)</b>	<b>(23,324)</b>	<b>17,767</b>	<b>(204,973)</b>
Insurance Reserve	(7,053)	(1,568)	0	<b>(8,621)</b>	(394)	793	<b>(8,222)</b>
IFRS 9 Investment Volatility Reserve	0	0	0	<b>0</b>	(1,500)	0	<b>(1,500)</b>
Education Balances	(13,931)	(19,855)	17,647	<b>(16,139)</b>	(15,485)	15,334	<b>(16,290)</b>
Collection Fund Volatility Reserve	(32,568)	(12,968)	23,483	<b>(22,053)</b>	(7,175)	13,698	<b>(15,530)</b>
S106 Revenue Reserves	(69,853)	(3,215)	1,374	<b>(71,694)</b>	(55,565)	2,138	<b>(125,121)</b>
<b>Total General Fund</b>	<b>(298,543)</b>	<b>(64,830)</b>	<b>45,450</b>	<b>(317,923)</b>	<b>(103,443)</b>	<b>49,730</b>	<b>(371,636)</b>

## Note 14 - Property, Plant and Equipment

<b>Movements to 31 March 2023</b>	<b>Council Dwellings</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>						
<b>at 1 April 2022</b>	1,520,032	1,141,161	29,309	21,154	32,072	<b>2,743,728</b>
Additions	111,967	8,808	2,027	227	7,535	<b>130,564</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	73,062	23,707	0	0	0	<b>96,769</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(28,306)	939	0	0	0	<b>(27,367)</b>
Derecognition – disposals	(8,255)	(71,996)	0	0	0	<b>(80,251)</b>
<b>at 31 March 2023</b>	<b>1,668,500</b>	<b>1,102,619</b>	<b>31,336</b>	<b>21,381</b>	<b>39,607</b>	<b>2,863,443</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>at 1 April 2022</b>	(2)	(2,936)	(20,335)	0	0	<b>(23,273)</b>
Depreciation charge	(24,511)	(9,324)	(1,052)	0	0	<b>(34,887)</b>
Depreciation written out to the Revaluation Reserve	14,540	8,937	0	0	0	<b>23,477</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,972	989	0	0	0	<b>10,961</b>
Derecognition – disposals	0	157	0	0	0	<b>157</b>
<b>at 31 March 2023</b>	<b>(1)</b>	<b>(2,177)</b>	<b>(21,387)</b>	<b>0</b>	<b>0</b>	<b>(23,565)</b>
<b>Net Book Value at 31 March 2023</b>	<b>1,668,499</b>	<b>1,100,442</b>	<b>9,949</b>	<b>21,381</b>	<b>39,607</b>	<b>2,839,878</b>

<b>Movements to 31 March 2022</b>	<b>Council Dwellings</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>						
<b>at 1 April 2021</b>	1,478,713	1,134,774	26,335	20,870	22,759	<b>2,683,451</b>
Additions	79,717	4,832	2,974	284	3,060	<b>90,867</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,953	21,342	0	0	0	<b>23,295</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(34,002)	1,562	0	0	0	<b>(32,440)</b>
Derecognition – disposals	(6,349)	(15,096)	0	0	0	<b>(21,445)</b>
Reclassifications and transfer	0	(6,253)	0	0	6,253	<b>0</b>
<b>at 31 March 2022</b>	<b>1,520,032</b>	<b>1,141,161</b>	<b>29,309</b>	<b>21,154</b>	<b>32,072</b>	<b>2,743,728</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>at 1 April 2021</b>	(6)	(2,092)	(19,691)	0	0	<b>(21,789)</b>
Depreciation charge	(23,309)	(8,754)	(644)	0	0	<b>(32,707)</b>
Depreciation written out to the Revaluation Reserve	14,026	6,873	0	0	0	<b>20,899</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,282	1,037	0	0	0	<b>10,319</b>
Derecognition – disposals	5	0	0	0	0	<b>5</b>
<b>at 31 March 2022</b>	<b>(2)</b>	<b>(2,936)</b>	<b>(20,335)</b>	<b>0</b>	<b>0</b>	<b>(23,273)</b>
<b>Net Book Value at 31 March 2022</b>	<b>1,520,030</b>	<b>1,138,225</b>	<b>8,974</b>	<b>21,154</b>	<b>32,072</b>	<b>2,720,455</b>
<b>Net Book Value at 31 March 2021</b>	<b>1,478,707</b>	<b>1,132,682</b>	<b>6,644</b>	<b>20,870</b>	<b>22,759</b>	<b>2,661,662</b>

Capital Commitments

At 31 March 2023, 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.

<b>2021-22</b>	<b>Capital Scheme</b>	<b>2022-23</b>
<b>£000</b>		<b>£000</b>
11,368	Northcote Library Site Development	4,611
0	Balham East & West, Aldrington & Edgecombe Hall Estate	4,249
0	Randall Close Site Development	3,016
0	Arndale Estate Kitchens and Bathrooms Phase 11	2,813
0	Wandsworth Bridge Corrosion Protection	2,350
0	Tooting Bec Lido	2,290
0	Southmead Estate Roof & Decs Phase 2	1,067
0	Felsham Rd Roof renewal	1,052
0	Granard High Needs Phase 2	1,051
0	Primary School - Nine Elms	787
0	Fairfield Court Roof & Window Renewal	732
0	Fairfield Drive Window Renewals	684
0	Wandsworth Town Library Fit Out (Fairfield)	655
0	Beacon Libraries Scheme - Putney Library	644
0	Wandsworth M & E decarbonisation	595
21,049	Patmore Street Site Development	354
11,064	Kersfield Estate Site Development	139
4,889	Whitlock Drive Garages Development	125
2,513	Fordyce House Garages Development	60
7,185	Fontley Way Site Development	39
7,854	Boroughwide Kitchens and Bathrooms	0
4,822	Latchmere Estate - Window renewal	0
4,281	St Cecilia's School Expansion	0
3,969	Sheltered Properties Sprinkler Installation	0
2,095	Gideon Road Site Development	0
1,704	Carey Gardens - Roof Renewals	0
1,528	Chestnut Grove School Expansion	0
1,239	Castlemaine Tower - Communal heating system	0
1,210	William Willison Estate - Window Renewal	0
956	Lennox Estate - Roof Renewals	0
944	Sheltered - Communal heating system	0
928	Arndale Estate - Phase 1 Lifting	0
896	Boroughwide Installation of lift monitoring equipment	0
640	Atheldene Road Site Development	0
607	Hollies Way - Cladding Replacement	0
568	Alton Estate - Heating systems upgrade	0
<b>92,309</b>		<b>27,313</b>

Effects of Changes in Estimates

The Council has not made any material changes to its accounting estimates for Property, Plant and Equipment during the year.

## Revaluations

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. 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 £0.4m.

As at the valuation date, the after-effects of the pandemic continue to affect economies and property markets globally, with property markets specifically experiencing lower levels of transactional activity and liquidity. Additionally, the rapid Bank Rate increases through 2022/23 to try and reduce high inflation, have also impacted the property market. The Council's external valuers have used substantial transaction volumes and other reliable market evidence to provide reliable asset valuations.

The Council's external valuer are not aware of any specific impact to the value of assets within the portfolio. For the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Valuations of land and buildings were carried out by our external valuers with an effective valuation date of 31 March 2023 in accordance with the methodologies and basis of estimation set out in the professional standards of RICS.

## Note 15 – Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
98,987	At 1 April	106,646
16,270	Additions	12,516
(8,613)	Depreciation	(9,167)
<b>106,646</b>	<b>at 31 March</b>	<b>109,995</b>

Infrastructure Assets and other Property, Plant and Equipment are combined on the Balance Sheet as follows:

<b>2021-22</b>		<b>2022-23</b>	
<b>£000</b>		<b>£000</b>	
106,646	Infrastructure Assets	109,995	
2,720,455	Other Property, Plant and Equipment	2,839,878	
<b>2,827,101</b>	<b>at 31 March</b>	<b>2,949,873</b>	

Depreciation is charged on Infrastructure assets on a straight-line basis.

## Note 16 - 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.

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. There has been no movement in the carrying amount of the heritage assets since the valuations.

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 17 - Investment Properties

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>	<b>Investment Property Income and Expenditure</b>	<b>£000</b>
(4,465)	Rental income from investment property	(5,293)
<b>(4,465)</b>	<b>Net (gain)/loss</b>	<b>(5,293)</b>

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 over the year:



31 March 2022			31 March 2023	
Non-Current			Non-Current	
£000	Investment Properties Movements in Year		£000	
73,793	Opening Balance		72,928	
2	Acquisitions		3	
(867)	Net gains/losses from fair value adjustments		(2,820)	
<b>72,928</b>	<b>Balance at the end of the year</b>		<b>70,111</b>	

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.

## Note 18 - Intangible Assets

The gross and net book values of intangible assets was nil at 31 March 2023 (also nil at 31 March 2022).

## Note 19 - Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

	Consumable Stores		Work in Progress		Total	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	733	723	787	3,817	1,520	4,540
Purchases	3,105	3,314	3,317	2,802	6,422	6,116
Recognised as an expense in the year	(3,115)	(3,233)	(287)	(2,992)	(3,402)	(6,225)
<b>Balance Outstanding at Year End</b>	<b>723</b>	<b>804</b>	<b>3,817</b>	<b>3,627</b>	<b>4,540</b>	<b>4,431</b>

## Note 20 - Financial Instruments

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

All investments held by the Council are classified as Level 1 or Level 2 investments as defined in Accounting Policy 1.10.

	Non-Current Financial Assets				
	Investments		Debtors		Total
	31 Mar 22	31 Mar 23	31 Mar 22	31 Mar 23	31 Mar 23
	£000	£000	£000	£000	£000
Fair value through profit and loss	79,042	100,438	0	0	<b>100,438</b>
Amortised Cost	0	0	38,707	38,644	<b>38,644</b>
<b>Total financial assets</b>	<b>79,042</b>	<b>100,438</b>	<b>38,707</b>	<b>38,644</b>	<b>139,082</b>

## Current Financial Assets

	<u>Investments</u>		<u>Debtors</u>		<u>Total</u>
	<u>31 Mar 22</u>	<u>31 Mar 23</u>	<u>31 Mar 22</u>	<u>31 Mar 23</u>	<u>31 Mar 23</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amortised cost	494,125	561,746	85,372	64,996	<b>626,742</b>
<b>Total financial assets</b>	<b>494,125</b>	<b>561,746</b>	<b>85,372</b>	<b>64,996</b>	<b>626,742</b>

## Non-Current Financial Liabilities

	<u>Borrowings</u>		<u>Creditors</u>		<u>Total</u>
	<u>31 Mar 22</u>	<u>31 Mar 23</u>	<u>31 Mar 22</u>	<u>31 Mar 23</u>	<u>31 Mar 23</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amortised cost	(34,403)	(17,202)	(39,582)	(39,582)	(56,784)
<b>Total financial liabilities</b>	<b>(34,403)</b>	<b>(17,202)</b>	<b>(39,582)</b>	<b>(39,582)</b>	<b>(56,784)</b>

## Current Financial Liabilities

	<u>Borrowings</u>		<u>Creditors</u>		<u>Total</u>
	<u>31 Mar 22</u>	<u>31 Mar 23</u>	<u>31 Mar 22</u>	<u>31 Mar 23</u>	<u>31 Mar 23</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amortised cost	(17,909)	(17,808)	(75,159)	(81,107)	(98,915)
<b>Total financial liabilities</b>	<b>(17,909)</b>	<b>(17,808)</b>	<b>(75,159)</b>	<b>(81,107)</b>	<b>(98,915)</b>

## Income, Expenses, Gains and Losses shown in the Surplus or Deficit on the Provision of Services

	<u>2021-22</u>	<u>2022-23</u>
	<u>£000</u>	<u>£000</u>
<b>Net gains or losses on</b>		
Financial assets measured at fair value	(3,902)	12,859
<b>Total Net Gains or Losses</b>	<b>(3,902)</b>	<b>12,859</b>
<b>Interest Revenue:</b>		
Financial assets measured at amortised cost	(6,706)	(19,521)
<b>Total Interest Revenue</b>	<b>(6,706)</b>	<b>(19,521)</b>
<b>Interest expense</b>	<b>1,100</b>	<b>796</b>

## Note 21 - Debtors

<u>31 March</u>		<u>31 March</u>
<u>2022</u>		<u>2023</u>
<u>£000</u>		<u>£000</u>
84,966	Trade Receivables	52,755
4,680	Prepayments	5,265
15,278	Housing Benefits	12,871
13,311	Other Local Authorities	12,710
10,997	Other Entities and Individuals	16,741
5,842	NHS Bodies	6,281
22,996	Central Government Bodies	18,625
<b>158,070</b>	<b>Total</b>	<b>125,248</b>

## Note 22 - Debtors for Local Taxation

The past due but not impaired amount for local taxation (Council Tax and Non-Domestic Rates) can be analysed by age as follows:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
220	Less than three months	164
659	Three to six months	492
1,318	Six months to one year	984
5,134	More than one year	4,556
<b>7,331</b>	<b>Total</b>	<b>6,196</b>

## Note 23 - Cash and Cash Equivalents

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
6,470	Cash and Bank balances	10,359
170,199	Short Term Deposits	77,383
<b>176,669</b>	<b>Total Cash and Cash Equivalents</b>	<b>87,742</b>

## Note 24 - Assets Held for Sale

<b>31 March 2022 Non- Current £000</b>		<b>31 March 2023 Non- Current £000</b>
1,054	Balance outstanding at start of year	1,054
<b>1,054</b>	<b>Balance at the end of the year</b>	<b>1,054</b>

## Note 25 – Creditors

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(24,447)	Trade payables	(22,381)
(85,238)	Central Government Bodies	(40,967)
(13,874)	Other Local Authorities	(31,298)
(1,116)	NHS Bodies	(1,118)
(56,575)	Other Entities and Individuals	(60,257)
<b>(181,250)</b>	<b>Total Creditors</b>	<b>(156,021)</b>

## Note 26 – Provisions

### Current Provisions

<b>2022-23</b>	<b>Central Insurance Fund £000</b>	<b>Tree Root Claims £000</b>	<b>Business Rates Appeals £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
Opening balance	(3,044)	(319)	(3,110)	0	(6,473)
Increase in provision during year	(3,524)	(22)	(3,411)	0	(6,957)
Utilised during year	3,506	0	2,273	0	5,779
<b>Closing Balance</b>	<b>(3,062)</b>	<b>(341)</b>	<b>(4,248)</b>	<b>0</b>	<b>(7,651)</b>

<b>2021-22</b>	<b>Central Insurance Fund £000</b>	<b>Tree Root Claims £000</b>	<b>Business Rates Appeals £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
Opening balance	(2,632)	(312)	(3,188)	0	(6,132)
Increase in provision during year	(4,578)	(7)	(482)	0	(5,067)
Utilised during year	4,118	0	560	0	4,678
Unused amounts reversed	48	0	0	0	48
<b>Closing Balance</b>	<b>(3,044)</b>	<b>(319)</b>	<b>(3,110)</b>	<b>0</b>	<b>(6,473)</b>

### Long Term Provisions

<b>2022-23</b>	<b>Central Insurance Fund £000</b>	<b>Tree Root Claims £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
Opening balance	(3,922)	(2,871)	(81)	(6,874)
Increase in provision during year	0	(198)	0	(198)
Unused amounts reversed	386	0	0	386
<b>Closing Balance</b>	<b>(3,536)</b>	<b>(3,069)</b>	<b>(81)</b>	<b>(6,686)</b>

<b>2021-22</b>	<b>Central Insurance Fund £000</b>	<b>Tree Root Claims £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
Opening balance	(7,042)	(2,808)	(81)	(9,931)
Change in Provision during the year	3,120	(63)	0	3,057
<b>Closing Balance</b>	<b>(3,922)</b>	<b>(2,871)</b>	<b>(81)</b>	<b>(6,874)</b>

### 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 £531,108 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.

A provision is made each year for backdated Business Rate appeals and to cover its potential loss from future Valuation Office Agency (VOA) decisions. The amount set aside as at 31 March 2023 is £4.2m (£3.1m at 31 March 2022).

<b>2021-22</b>	<b>Total Provisions</b>	<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(16,063)	Opening balance	(13,347)
(2,010)	Increase in provision during year	(7,155)
4,678	Utilised during year	5,779
48	Unused amounts reversed	386
<b>(13,347)</b>	<b>Closing Balance</b>	<b>(14,337)</b>

## Note 27 - Usable Reserves

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

### Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(23,404)	Balance 1 April	(31,391)
(43,409)	Capital Receipts in year	(19,231)
2,595	Capital Receipts Pooled	0
185	Transfer to revenue reserves for disposals	191
(129)	Capital receipts on loan repayments	(139)
32,771	Capital Receipts used for financing	30,557
<b>(31,391)</b>	<b>Balance 31 March</b>	<b>(20,013)</b>

### Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at 31 March 2023.

**Major Repairs Reserve**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(159,515)	Balance 1 April	(135,033)
(24,611)	Depreciation and Amortisation	(25,834)
49,093	Application to finance capital expenditure	58,513
<b>(135,033)</b>	<b>Balance 31 March</b>	<b>(102,354)</b>

**Capital Grants Reserve**

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(142,033)	Balance 1 April	(179,985)
(74,865)	Capital grants recognised in year	(66,620)
36,913	Capital grants and contributions applied	61,313
<b>(179,985)</b>	<b>Balance 31 March</b>	<b>(185,292)</b>

**Note 28 - Unusable Reserves**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(1,079,546)	Revaluation Reserve	(1,132,538)
(1,636,656)	Capital Adjustment Account	(1,728,549)
125,271	Pension Reserve	(356,219)
(4)	Deferred Capital Receipts Reserve	(4)
11,345	Collection Fund Adjustment Account	(754)
4,628	Accumulated Absences Account	7,521
(4,456)	Pooled Investment Funds Adjustment Account	8,404
4,601	DSG Unusable Reserve	10,423
<b>(2,574,817)</b>	<b>Total</b>	<b>(3,191,716)</b>

**Revaluation Reserve**

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets).

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(1,056,734)	Balance 1 April	(1,079,546)
(71,918)	Upward revaluation of assets	(137,551)
27,724	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	17,304
<b>(44,194)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(120,247)</b>
8,842	Difference between fair value depreciation and historical cost depreciation	9,520
12,540	Accumulated gains on assets sold or scrapped	57,735
<b>21,382</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>67,255</b>
<b>(1,079,546)</b>	<b>Balance 31 March</b>	<b>(1,132,538)</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or additions to those assets under statutory provisions.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(1,563,296)	Balance 1 April	(1,636,656)
41,320	Charges for depreciation and impairment of non-current assets	44,054
22,122	Revaluation losses on non-current assets	16,406
15,682	Revenue expenditure funded from capital under statute	13,492
21,440	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	80,095
100,564	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	154,047
(21,382)	Adjusting Amounts written out of the Revaluation Reserve	(67,255)
79,182	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	86,792
(32,771)	Use of Capital Receipts Reserve to finance new capital expenditure	(30,557)
(36,913)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(61,313)
(49,094)	Use of Major Repairs Reserve to finance new capital expenditure	(58,514)
(429)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(441)
(1,302)	Capital expenditure charged against the General Fund and HRA balances	(310)
(120,509)	<b>Capital financing applied in year:</b>	<b>(151,135)</b>
(33,030)	Borrowing or liabilities met from the HRA	(30,509)
867	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,820
130	Capital Receipts debited to the Capital Adjustment Account on Repayment of loans	139
<b>(1,636,656)</b>	<b>Balance 31 March</b>	<b>(1,728,549)</b>

Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
352,995	<b>Opening Balance</b>	125,271
(285,495)	Remeasurements of the net defined benefit (liability)/asset	(502,724)
82,556	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	47,873
(24,785)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,639)
<b>125,271</b>	<b>Balance 31 March</b>	<b>(356,219)</b>

Deferred Capital Receipts Reserve

The Deferred Capital Receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(4)	Balance 1 April	(4)
<b>(4)</b>	<b>Balance 31 March</b>	<b>(4)</b>

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the CIES as it falls due from payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
24,298	Balance 1 April	11,345
(12,953)	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	(12,099)
<b>11,345</b>	<b>Balance 31 March</b>	<b>(754)</b>



Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
5,225	<b>Balance 1 April</b>	4,628
(5,225)	Settlement or cancellation of accrual made at the end of the preceding year	(4,628)
4,628	Amounts accrued at the end of the current year	7,521
(597)	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	2,893
<b>4,628</b>	<b>Balance 31 March</b>	<b>7,521</b>

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains or losses made by the authority arising from increases in the value of its Pooled Investments that are measured at fair value through the CIES.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(554)	<b>Balance 1 April</b>	(4,456)
(3,902)	Changes in fair value of pooled investments	12,860
<b>(4,456)</b>	<b>Balance 31 March</b>	<b>8,404</b>

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds accumulated deficits relating to the schools' budget. Where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 to 1 April 2022, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
0	Balance 1 April	4,601
4,601	Increase / (Reduction) of Dedicated Schools Grant Deficit	5,822
<b>4,601</b>	<b>Balance 31 March</b>	<b>10,423</b>

## Note 29 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(4,741)	Interest received	(10,101)
1,103	Interest paid	799
<b>(3,638)</b>	<b>Total</b>	<b>(9,302)</b>

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(41,320)	Depreciation	(44,054)
(22,122)	Impairment and downward valuations	(16,406)
(16,616)	(Increase)/decrease in creditors	55,198
(19,551)	Increase/(decrease) in debtors	2,235
3,020	Increase/(decrease) in inventories	(108)
(57,771)	Movement in pension liability	(21,234)
(21,440)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(80,095)
5,797	Other non-cash movements charged to the surplus or deficit on provision of services	(17,413)
<b>(170,004)</b>	<b>Total</b>	<b>(121,877)</b>

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
43,409	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,231
74,864	Any other items for which the cash effects are investing or financing cash flows	66,620
<b>118,273</b>	<b>Total</b>	<b>85,851</b>

## Note 30 - Cash Flow from Investing Activities

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
106,340	Purchase of property, plant and equipment, investment property and intangible assets	142,245
634,300	Purchase of short-term and long-term investments	1,006,200
4,527	Other payments for investing activities	449
(43,454)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(19,231)
(537,500)	Proceeds from short-term and long-term investments	(913,000)
(62,091)	Other receipts from investing activities	(63,102)
<b>102,122</b>	<b>Net cash flows from investing activities</b>	<b>153,561</b>

## Note 31 - Cash Flow from Financing Activities

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(200)	Cash receipts of short-term and long-term borrowing	(400)
17,643	Repayments of short-term and long-term borrowing	17,700
(28,318)	Other payments for financing activities	(32,933)
<b>(10,875)</b>	<b>Net cash flows from financing activities</b>	<b>(15,633)</b>

## Note 32 – Reconciliation of Liabilities from Financing Activities

	<b>31 March 2022 £000</b>	<b>Financing cash flows £000</b>	<b>Other non- cash changes £000</b>	<b>31 March 2023 £000</b>
Long-term borrowing	(34,403)	0	17,202	(17,201)
Short-term borrowing	(17,910)	17,300	(17,198)	(17,808)
<b>Total liabilities from financing activities</b>	<b>(52,313)</b>	<b>17,300</b>	<b>4</b>	<b>(35,009)</b>

## Note 33 - Agency Services

Various streams of additional funding have been received from Government since March 2020 onwards, to assist councils and taxpayers with pressures linked to the Covid-19 pandemic and the ongoing impact to the economy, specifically inflation. Where councils have received funding but then paid businesses, organisations or individuals that funding on behalf of Government, therefore acting as an intermediary this forms an agency relationship, with the Council being the agent and Government being the principal. When such arrangements exist the income and expenditure are not included as part of the Statement of Accounts.

The most material grants awarded to the Council deemed to be agency relationships are detailed below:

The Council Tax Rebate funded by the Department of Levelling Up, Housing and Communities (DLUHC) was in recognition of the support needed by many households in response to the rising cost of household bills, driven by the increasing cost of energy. A one off payment of £150 was awarded to eligible households, whose homes were in Council Tax bands A to D, to offer assistance to these rising costs. The grant received and paid out in 2022/23 totalled £13m.

Various other Covid-19 grants have ended and therefore are not included in 2022/23.

### Note 34 - Pooled Budgets

The Council has two pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2023. 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.

<b>2021-22</b>	<b>Better Care Fund</b>	<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(24,685)	Authority Funding	(25,649)
(15,971)	Partner Funding	(16,875)
(40,656)	Total Pooled Funding	(42,524)
24,685	Authority Expenditure	25,649
15,971	Partner Expenditure	16,875
40,656	Expenditure	42,524
<b>0</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>0</b>
<b>0</b>	<b>Authority Share of the Net Surplus / Deficit</b>	<b>0</b>

#### Joint Integrated Community Equipment Service with St George's University Hospitals Foundation Trust (St George's) 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 George's. The net surplus of £0.3m (unchanged from 2021/22) is attributable to the Council. The Council wrote back its surplus to the General Fund and all expenditure incurred by St George's and CLCH was recovered in full.

2021-22	Joint Integrated Community Equipment Service	2022-23
£000		£000
(954)	Authority Funding	(685)
(2,214)	Partner Funding	(1,605)
(3,168)	Total Pooled Funding	(2,290)
667	Authority Expenditure	407
2,214	Partner Expenditure	1,605
2,881	Expenditure	2,012
<b>(287)</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>(278)</b>
<b>(287)</b>	<b>Authority Share of the Net Surplus / Deficit</b>	<b>(278)</b>

### Note 35 - Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 as amended provide for the circumstances in which allowances are payable to Members, and to the maximum amounts payable in respect of certain allowances. The Council paid the following amounts to members of the Council during the year:

2021-22		2022-23
£000		£000
1,076	Allowances	1,022
<b>1,076</b>	<b>Total Members' Allowances</b>	<b>1,022</b>

### Note 36 - Officers' Remuneration

The Council entered 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. The remuneration paid to the Council's senior employees is as follows:

<b>2022-23</b>		<b>Salary &amp; Other Payments</b>	<b>Employers Pension Contributions</b>	<b>Total</b>
	<i>Notes</i>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive – M. Jackson	1	75,064	0	<b>75,064</b>
Chief Executive (Out going) – M. Maidment	2	94,470	17,005	<b>111,475</b>
Director of Children's Services - A. Popovici	3	201,508	36,255	<b>237,763</b>
Deputy Director of Children's Services - N. Pendry	4	153,089	27,556	<b>180,645</b>
Director of Housing & Regeneration - B. Reilly	5	145,093	26,117	<b>171,210</b>
Director of Environment & Community Services - P. Chadwick	6	124,946	22,490	<b>147,436</b>
Director of Adult Social Care & Public Health - J. DeSouza	7	96,570	17,383	<b>113,953</b>
Deputy Director of Environment & Community Services - K. Power	8	114,659	20,639	<b>135,298</b>
Assistant Chief Executive (Policy and Performance) - J. Evans	9	95,273	17,149	<b>112,422</b>
Director of Finance - F. Merry	10	113,062	20,351	<b>133,413</b>
Assistant Director - Commissioning and Quality Standards - G. Taylor	11	96,447	0	<b>96,447</b>
Assistant Chief Executive (Corporate Services)	12	93,769	16,878	<b>110,647</b>
		<b>1,403,950</b>	<b>221,823</b>	<b>1,625,773</b>

<b>2021-22</b>		<b>Salary &amp; Other Payments</b>	<b>Employers Pension Contribution</b>	<b>Total</b>
	<i>Notes</i>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive – M. Maidment	2	157,291	28,312	<b>185,603</b>
Director of Children's Services - A. Popovici	3	193,716	34,853	<b>228,569</b>
Assistant Director of Children's Services - P. Angeli	3	107,458	0	<b>107,458</b>
Director of Housing & Regeneration - B. Reilly	4	142,511	25,652	<b>168,163</b>
Director of Environment & Community Services - P. Chadwick	5	118,123	21,262	<b>139,385</b>
Director of Adult Social Care & Public Health - E. Bruce	6	107,634	0	<b>107,634</b>
Deputy Director of Environment & Community Services - K. Power	7	113,266	20,388	<b>133,654</b>
Assistant Chief Executive (Policy and Performance)	8	92,652	16,677	<b>109,330</b>
Director of Resources - F. Merry	9	109,535	19,716	<b>129,252</b>
		<b>1,142,186</b>	<b>166,860</b>	<b>1,309,046</b>

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

Note 1 – The current Chief Executive’s total remuneration across the SSA in 2022/23 was £119,150.

Note 2 – The outgoing Chief Executive’s total remuneration across the SSA in 2022/23 was £149,953 and the employers pension contributions were £26,992.

Note 3 – The Director of Housing and Regeneration’s total remuneration across the SSA in 2022/23 was £230,307 and the employer’s pension contributions were £41,455.

Note 4 – The Director of Environment and Community Services’ total remuneration across the SSA in 2022/23 was £198,328 and the employer’s pension contributions were £32,760.

Note 5 – The Deputy Director of Environment and Community Services’ total remuneration across the SSA in 2022/23 was £181,998 and the employer’s pension contributions were £32,760.

Note 6 – The Director of Finance’s (formerly Director of Resources) total remuneration across the SSA in 2022/23 was £179,464 and the employer’s pension contributions were £32,304.

Note 7 - The Director of Adult Social Care and Public Health’s total remuneration across the SSA in 2022/23 was £153,285 and the employer pension contributions were £27,591.

Note 8 - The Assistant Chief Executive (Policy and Performance)’s total remuneration across the SSA in 2022/23 was £151,227 and the employer pension contributions were £27,221.

Note 9 – The Assistant Director – Commissioning and Quality Standards’ total remuneration across the SSA in 2022/23 was £153,090.

Note 10 – Assistant Chief Executive (Corporate Services) total remuneration across the SSA in 2022/23 was £148,839 and the employer pension contributions were £26,791.

Note 11 - The Director of Children's Services’ total remuneration in 2022/23 was £201,508 and the employer’s pension contributions were £36,255. The Director of Children’s Services is charged 100% to Wandsworth.

Note 12 – The Deputy Director of Children's Services’ total remuneration , including severance pay in 2022/23, was £153,089 and the employer’s pension contributions were £27,556. The Deputy Director of Children’s Services is charged 100% to Wandsworth.

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

#### Officers Remuneration Banding

The number of employees, including teaching staff, whose remuneration was more than £50,000 is shown in the following table.

These figures include redundancy/compensation payments in both years, as required by legislation. The table also includes the officers disclosed in the senior officer table above, where Wandsworth's proportion of costs is greater than £50,000. Several officers with a salary greater than £50,000 employed by the SSA are excluded from the table above as Wandsworth's element of the costs are below £50,000. The table also does not include employer’s pension contributions.

2021-22			2022-23			
Number of Employees			Number of Employees			
School Staff	Other Staff	Total		School Staff	Other Staff	Total
126	119	245	£50,001 to £55,000	119	159	278
49	73	122	£55,001 to £60,000	81	97	178
34	37	71	£60,001 to £65,000	27	39	66
20	24	44	£65,001 to £70,000	28	38	66
10	12	22	£70,001 to £75,000	11	17	28
14	15	29	£75,001 to £80,000	15	18	33
15	7	22	£80,001 to £85,000	10	10	20
6	14	20	£85,001 to £90,000	9	7	16
4	8	12	£90,001 to £95,000	7	15	22
3	4	7	£95,001 to £100,000	4	9	13
4	0	4	£100,001 to £105,000	6	2	8
3	4	7	£105,001 to £110,000	2	3	5
2	2	4	£110,001 to £115,000	0	2	2
1	1	2	£115,001 to £120,000	0	2	2
0	0	0	£120,001 to £125,000	2	1	3
0	1	1	£125,001 to £130,000	0	0	0
0	1	1	£135,001 to £140,000	0	0	0
0	2	2	£140,001 to £145,000	0	3	3
0	1	1	£145,001 to £150,000	0	1	1
0	1	1	£150,001 to £155,000	0	2	2
0	1	1	£155,001 to £160,000	0	0	0
0	1	1	£190,001 to £195,000	0	0	0
0	0	0	£200,001 to £205,000	0	1	1
<b>291</b>	<b>328</b>	<b>619</b>	<b>Total</b>	<b>321</b>	<b>426</b>	<b>747</b>

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
£0-£20,000	22	8	27	8	49	16	470,227	121,913
£20,001 - £40,000	6	0	7	1	13	1	349,139	38,149
£40,001 - £60,000	1	4	2	0	3	4	141,659	215,048
£60,001 - £80,000	1	4	0	1	1	5	64,070	358,896
£80,001 - £100,000	2	2	0	0	2	2	179,987	188,912
100,001 - £150,000	0	2	0	0	0	2	0	230,188
<b>Total</b>	<b>32</b>	<b>20</b>	<b>36</b>	<b>10</b>	<b>68</b>	<b>30</b>	<b>1,205,082</b>	<b>1,153,106</b>

Add: Amounts provided for in CIES not included in bandings

(62,658) 37,156

**Total cost included in CIES**

**1,142,425 1,190,262**

The Council terminated the contracts of a number of employees in 2022/23, incurring liabilities of £1.153m (£1.205m in 2021/22).



The total cost of £1.190m for 2022/23 (£1.142m in 2021/22) 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.

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
87	Fees payable to external auditors for the current year scale fee	112
37	Fees payable to external auditors for previous years additional fee	0
21	Fees payable in respect of other services provided by external auditors	23
<b>145</b>	<b>Total</b>	<b>135</b>

The Council's auditors Ernst & Young LLP have submitted requests to Public Sector Audit Appointments for authority to increase the additional fees charged for 2019/20 onwards. Only additional fees for 2019/20 have been agreed and are included in the 2021/22 column (as the year paid). For 2022/23 the PSAA has agreed increases to council's scale fees nationally, for recurring approved fee variations which are consolidated into new scale fees.

### Note 38 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance and Early Years (England) (No 2) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are:

<b>DSG Receivable for 2022-23</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for year before Academies recoupment			(260,579)
Academy figure recouped for year			91,134
Total DSG after academy recoupment			<b>(169,445)</b>
Plus: Brought forward from previous year			0
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	<b>(55,477)</b>	<b>(113,968)</b>	<b>(169,445)</b>
In Year Adjustments	447	0	447
Final budget distribution for year	<b>(55,030)</b>	<b>(113,968)</b>	<b>(168,998)</b>
Less: Actual central expenditure	60,799		60,799
Less: Actual ISB deployed to schools		114,021	114,021
<b>Carry forward to 2023-24</b>	<b>5,769</b>	<b>53</b>	<b>5,822</b>
Plus: Carry forward to 2023-24 (pre-agreed)			0
<b>Total DSG Carried Forward to 2023-24</b>			<b>5,822</b>
Opening DSG Unusable Reserve Balance			4,601
Addition to DSG Unusable Reserve at the end of 2022-23			5,822
<b>Net DSG Position at the end of 2022-23</b>			<b>10,423</b>

<b>DSG Receivable for 2021-22</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for year before Academies recoupment			(253,443)
Academy figure recouped for year			88,080
Total DSG after academy recoupment			<b>(165,363)</b>
Plus: Brought forward from previous year			(9)
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	<b>(47,832)</b>	<b>(117,540)</b>	<b>(165,372)</b>
In Year Adjustments	0	547	547
Final budget distribution for year	<b>(47,832)</b>	<b>(116,994)</b>	<b>(164,827)</b>
Less: Actual central expenditure	51,340		51,340
Less: Actual ISB deployed to schools		118,086	118,086
<b>Carry forward to 2022-23</b>	<b>3,508</b>	<b>1,093</b>	<b>4,601</b>
Plus: Carry forward to 2022-23 (pre-agreed)			0
<b>Total DSG Carried Forward to 2022-23</b>			<b>4,601</b>
Opening DSG Unusable Reserve Balance			0
Addition to DSG Unusable Reserve at the end of 2021-22			4,601
<b>Net DSG Position at the end of 2021-22</b>			<b>4,601</b>

## Note 39 - Grant Income

### Grants and contributions charged to Taxation and Non Specific Grant income

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(54,886)	Non-specific revenue grants	(61,365)
(57,790)	Capital grants and contributions - General Fund	(23,081)
(9,424)	Capital grants and contributions - Housing Revenue Account	(35,665)
<b>(122,100)</b>	<b>Total</b>	<b>(120,111)</b>

### Grants and contributions charged to Net Cost of Services

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(164,718)	Dedicated Schools Grant	(168,976)
(75,718)	Rent Allowance Subsidy	(69,167)
(110,680)	Section 106 Contributions	(84,782)
(49,826)	Rent Rebate Subsidy	(45,725)
(28,608)	Public Health Grant	(29,412)
(17,700)	Non-HRA Rent Rebate Subsidy	(20,446)
(16,486)	Improved Better Care	(16,985)
(8,199)	Better Care Fund	(8,663)
(5,902)	Pupil Premium Grant	(6,299)
(6,212)	Health Authority Contributions	(5,880)
(5,407)	Homelessness Prevention Grant	(5,191)
(4,044)	Leaseholder Reimbursements	(4,286)
(2,069)	Household Support Grant	(4,139)
(2,295)	Sixth Form Funding	(2,572)
(2,295)	Asylum Seekers Grant	(2,494)
0	School Supplementary Grant	(2,446)
(1,525)	Supporting Families Grant	(2,056)
(1,358)	Adult Education Funding	(1,991)
(7,452)	Covid-19 Test and Trace Contain Outbreak Management Fund	(1,837)
(1,596)	Disabled Facilities Grant	(1,829)
(1,884)	Universal Infant Free School Meals Grant	(1,748)
(1,418)	Rough Sleeping Initiative	(1,423)
(1,231)	Housing Benefit Admin Subsidy	(1,230)
0	Council Tax Rebate (Discretionary)	(1,205)
0	Adult Social Care Discharge Fund	(1,081)
(1,013)	Transport for London	(941)
(5,699)	Covid-19 Additional Funding	(672)
(10,097)	Covid-19 LRSG Additional Restrictions Grant	29
(1,826)	Covid -19 Sales, Fees and Charges Support Grant	0
(14,794)	Other Government Grants and Contributions under £1m	(16,478)
(3,816)	Non-Government Grants & Contributions under £1m	(2,406)
<b>(553,868)</b>	<b>Total</b>	<b>(512,331)</b>

**Grants Receipts in Advance (Revenue Grants) - Current Liabilities**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(905)	Section 106 Contributions	(905)
0	Energy Bills Support Scheme Alternative Funding	(1,249)
(2,633)	Covid-19 Test and Trace Contain Outbreak Management Fund	(924)
(1,239)	Family Safeguard	(865)
0	Homes for Ukraine Education Grant	(591)
(453)	Syrian Families Scheme	(505)
(1,510)	Supporting Families Grant	(371)
(14,582)	Council Tax Rebate	0
(7,312)	Covid 19 Additional Relief Fund	0
(2,046)	Other Grants	(2,299)
<b>(30,680)</b>	<b>Total</b>	<b>(7,709)</b>

**Grants Receipts in Advance (Capital Grants) - Current Liabilities**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(218)	Section 106 Contributions	(217)
<b>(218)</b>	<b>Total</b>	<b>(217)</b>

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

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(1,618)	Free Schools	(1,618)
(4,054)	Council Homes for London	0
(2,086)	Other	(3,249)
<b>(7,758)</b>	<b>Total</b>	<b>(4,867)</b>

**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.

**Central Government**

Central Government has significant influence 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. Council Tax bills and Housing Benefits). Grants receipts outstanding at 31 March 2023 are show in Note 39.

### North East Surrey Crematorium Board (NЕСB)

The Board currently is composed of 10 councillors and 2 substitute councillors from three London Borough councils: Merton, Sutton, and Wandsworth. Councillors A. Critchard, R. Birchall, R. Osborn, T. Belton and A. Graham were appointed by the Council. Mr M. Davies (Financial Controller) is Treasurer to the Board. Mr P. Guillotti (Director of 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 31st March 2023 the Council had a £0.7m 7-day notice loan outstanding from the Board.

### Western Riverside Waste Authority (WRWA)

The Authority is composed of 8 members from 4 London Boroughs: Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors J. Gasser and L. Cooper were appointed by the Council. Ms K. Burston (Director of Financial Management) was Deputy Treasurer to the Authority. Mr P. Guillotti was Head of Audit to the Authority.

During the year there were refuse disposal charges of £12.7m and levy payments of £1.4m to WRWA.

### Enable Leisure and Culture

Enable provide leisure services for the Council. Councillor G. Humphries is a trustee. During the year, the council received £2.5m for services from Enable. The council paid £1.3m for services provided by Enable.

### One Trust

One Trust provides day care services to Wandsworth Council. Councillor Mr I. Lewer was a councillor until May 2022 and was a Director of One Trust. During the year, the Council made payments for services of £2.4m to One Trust. Minimal charges were made by the Council for service provision and interest payments.

### St George's University Hospital NHS Foundation Trust

St George's Hospital is located within the Borough, in Tooting. Councillor H. Byrne is an employee of St George's. £1.2m was paid to St George's for service provision and £2.9m of income was received in 2022/23.

### Achieving for Children (AfC)

Achieving for Children delivers social care, education and health services to children and young people in the Royal Borough of Kingston, Royal Borough of Windsor & Maidenhead and London Borough of Richmond upon Thames. Jeremy DeSouza (Director of Adult Social Care and Public Health) is a Non-executive Director on the AfC Board. The Council received £0.4m for service provision and grant recoupment. £0.4m was paid to AfC for special educational needs grants.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 34. During the year, works and services to the net value of £1m (£0.4m in 2021/22) were commissioned from companies, voluntary and similar organisations in which Members declared an interest. Contracts were entered in full compliance with the Council's standing orders. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the register of members interest which is open to public inspection at the town hall during office hours.

## 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.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
217,994	Opening Capital Financing Requirement	187,341
	Capital Investment:	
107,137	- Property Plant and Equipment	143,080
2	- Investment Property	3
15,682	- Revenue expenditure funded from capital under statute	13,492
64	- Capital Loans and investments	76
<b>122,885</b>	<b>Total Capital Spending</b>	<b>156,651</b>
	Sources of Finance:	
(32,771)	- Capital receipts	(30,557)
(36,913)	- Government Grants and other contributions	(61,313)
(49,093)	- Major repairs reserve	(58,513)
	Sums set aside from revenue:	
(1,302)	- Direct revenue contributions	(310)
(33,030)	- Borrowing or liabilities met from the HRA	(30,509)
(429)	- Minimum revenue provision	(441)
<b>(153,538)</b>	<b>Total Sources of Finance</b>	<b>(181,643)</b>
<b>187,341</b>	<b>Closing Capital Financing Requirement</b>	<b>162,349</b>

<b>Explanation of movements in year</b>		
<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(30,225)	Increase in underlying need to borrow	(24,552)
(429)	Other movements	(441)
<b>(30,654)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(24,993)</b>

## Note 42 - 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. The Council has no finance leases.

#### Authority as Lessee - Operating Leases

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>	
14,574	Not later than one year	11,456	
464	Later than one year and not later than five years	594	
646	Later than five years	610	
<b>15,684</b>	<b>Total</b>	<b>12,660</b>	

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>	
14,211	Minimum lease payments	14,275	
<b>14,211</b>	<b>Total</b>	<b>14,275</b>	

#### Authority as Lessor - Operating Leases

Assets valued at £70.7m (£73.3m in 2021/22) are held for use in operating leases, for which rent of £8.0m was received in 2022/23 (£7.9m in 2021/22). 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 (£0.5m).

### 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 2022/23 the Council paid £10.2m (£10.1m in 2021/22) to Teachers' Pensions in respect of teachers' retirement benefits.

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 Department of Health and Social Care (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 2022/23, the Council paid £0.2m (unchanged from 2021/22) to NHS Pensions in respect of members retirement benefits.

#### 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 (i.e. largescale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and 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 International Accounting Standard 19 (IAS 19) is reversed out of the General Fund via the MiRS. The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

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



2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	General Fund Transactions	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services</b>						
Service cost comprising:						
63,528	315	63,843	Current service cost	54,791	290	55,081
770	0	770	Past service cost	465	118	583
(1,279)	10,632	9,353	(Gain) / loss from settlements and / or transfers	(89)	0	(89)
1,127	21	1,148	Administration expenses	907	17	924
6,831	611	7,442	Net interest expense / income	(8,671)	45	(8,626)
<b>70,977</b>	<b>11,579</b>	<b>82,556</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>47,403</b>	<b>470</b>	<b>47,873</b>
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>						
<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
Re-measurement of the net defined benefit liability comprising:						
(54,184)	(6,043)	(60,227)	Return on plan assets (excluding the amount included in the net interest expense)	129,442	703	130,145
(56,854)	(907)	(57,761)	Actuarial gains and losses - experience	154,960	4,422	159,382
(87,202)	(1,454)	(88,656)	Actuarial gains and losses arising on changes in demographic assumptions	0	0	0
(85,632)	(1,132)	(86,764)	Actuarial gains and losses arising on changes in financial assumptions	(775,565)	(16,686)	(792,251)
7,855	58	7,913	Other movements in the liability/(asset)	0	0	0
<b>(276,017)</b>	<b>(9,478)</b>	<b>(285,495)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(491,163)</b>	<b>(11,561)</b>	<b>(502,724)</b>
<b>(205,040)</b>	<b>2,101</b>	<b>(202,939)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(443,760)</b>	<b>(11,091)</b>	<b>(454,851)</b>

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Movement in Reserves Statement	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
(70,977)	(11,579)	(82,556)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(47,403)	(470)	(47,873)
			Actual amount charged against the general fund balance for pensions in the year:			
24,623	162	24,785	Employers' contributions payable to scheme	26,410	229	26,639
2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
(1,897,790)	(57,332)	(1,955,122)	Present value of the defined obligation	(1,339,807)	(44,146)	(1,383,953)
1,774,193	55,658	1,829,851	Fair value of plan assets	1,686,380	53,792	1,740,172
<b>(123,597)</b>	<b>(1,674)</b>	<b>(125,271)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>346,573</b>	<b>9,646</b>	<b>356,219</b>
2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Movement in the Value of Scheme Assets	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
1,715,113	62,830	1,777,943	Opening Balance	1,774,193	55,658	1,829,851
33,692	547	34,239	Interest income	60,937	1,414	62,351
			Re-measurement gain / (loss):			
54,184	6,043	60,227	The return on plan assets, excluding the amount included in the net interest expense	(129,442)	(703)	(130,145)
(7,855)	(58)	(7,913)	Other gains / (losses)	0	0	0
24,623	162	24,785	Contributions from employer	26,410	229	26,639
9,981	53	10,034	Contributions from employees into the scheme	10,824	55	10,879
(52,886)	(3,266)	(56,152)	Benefits / transfers paid	(54,636)	(2,844)	(57,480)
(1,127)	(21)	(1,148)	Administration expenses	(907)	(17)	(924)
(1,532)	(10,632)	(12,164)	Assets Extinguished on Settlement	(999)	0	(999)
<b>1,774,193</b>	<b>55,658</b>	<b>1,829,851</b>	<b>Closing value of scheme assets</b>	<b>1,686,380</b>	<b>53,792</b>	<b>1,740,172</b>

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Movements in the Fair Value of Scheme Liabilities	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
(2,068,373)	(62,565)	(2,130,938)	Opening Balance	(1,897,790)	(57,332)	(1,955,122)
(63,528)	(315)	(63,843)	Current service cost	(54,791)	(290)	(55,081)
(40,523)	(1,158)	(41,681)	Interest cost	(52,266)	(1,459)	(53,725)
(9,981)	(53)	(10,034)	Contributions from scheme participants	(10,824)	(55)	(10,879)
			Re-measurement gains and losses:			
56,854	907	57,761	- Actuarial gains / (losses) - experience	(154,960)	(4,422)	(159,382)
87,202	1,454	88,656	- Actuarial gains / (losses) from changes in demographic assumptions	0	0	0
85,632	1,132	86,764	- Actuarial gains / (losses) from changes in financial assumptions	775,565	16,686	792,251
(770)	0	(770)	Past service cost	(465)	(118)	(583)
52,886	3,266	56,152	Benefits / transfers paid	54,636	2,844	57,480
2,811	0	2,811	Liabilities extinguished on settlements	1,088	0	1,088
<b>(1,897,790)</b>	<b>(57,332)</b>	<b>(1,955,122)</b>	<b>Balance as at 31 March</b>	<b>(1,339,807)</b>	<b>(44,146)</b>	<b>(1,383,953)</b>

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.

2021-22 Council		Asset Allocation	2022-23 Council	
£000	%		£000	%
25,834	1.46%	Cash and cash equivalents	66,092	3.92%
1,061,467	59.83%	Equities	953,257	56.53%
23,676	1.33%	Gilts	0	0.00%
245,647	13.85%	Corporate Bonds	270,208	16.02%
213,693	12.04%	Property	221,921	13.16%
203,876	11.49%	Multi-Asset Funds	174,902	10.37%
<b>1,774,193</b>	<b>100.00%</b>	<b>Scheme assets</b>	<b>1,686,380</b>	<b>100.00%</b>

2021-22		Asset Allocation	2022-23	
LPFA			LPFA	
£000	%		£000	%
1,613	2.90%	Cash and cash equivalents	69	0.13%
31,365	56.35%	Equities	31,633	58.81%
4,920	8.84%	Property	5,282	9.82%
5,876	10.56%	Infrastructure	6,806	12.65%
11,884	21.35%	Target Return Portfolio	10,002	18.59%
<b>55,658</b>	<b>100.00%</b>	<b>Scheme assets</b>	<b>53,792</b>	<b>100.00%</b>

### 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 2019.

Data reports received from the actuary for 2022/23 are based on actuals to the end of February 2023, with an estimate factored in for March 2023/24.

### 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		SSA		LPFA	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
Longevity at 65 for current pensioners						
- Men	21.6	21.1	21.6	21.1	20.9	20.6
- Women	24.3	23.5	24.3	23.5	23.8	23.9
Longevity at 65 for future pensioners						
- Men	23.0	22.3	23.0	22.3	23.0	22.6
- Women	25.8	25.0	25.8	25.0	25.7	25.4
Rate of inflation (RPI)	3.65%	3.30%	3.45%	3.30%	3.75%	3.30%
Rate of inflation (CPI)	3.25%	2.90%	3.15%	2.90%	3.40%	2.90%
Rate of increase in salaries	4.25%	3.90%	4.15%	3.90%	4.40%	3.90%
Rate of increase in pensions	3.25%	2.90%	3.15%	2.90%	3.40%	2.90%
Rate for discounting scheme liabilities	2.60%	4.80%	2.60%	4.80%	2.60%	4.80%
Take up of converting annual pension to 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 or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis

have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Council			LPFA		
	£000	£000	£000	£000	£000	£000
Adjustment to discount rate	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	1,319,895	1,339,807	1,360,220	43,702	44,146	44,599
Projected Service Cost	24,154	25,020	25,914	159	163	166
Adjustment to long term salary increase	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	1,341,052	1,339,807	1,338,569	44,169	44,146	44,127
Projected Service Cost	25,036	25,020	25,002	163	163	163
Adjustment to pension increases & deferred revaluation	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	1,359,336	1,339,807	1,320,750	44,588	44,146	43,712
Projected Service Cost	25,926	25,020	24,143	166	163	160
Adjustment to mortality age rating assumption	<b>+ 1 Year</b>	<b>None</b>	<b>-1 Year</b>	<b>+ 1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present Value of Total Obligation	1,398,029	1,339,807	1,284,337	46,567	44,146	41,863
Projected Service Cost	25,995	25,020	24,070	169	163	157

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 above show the underlying commitment that the Council has as an employer to pay retirement benefits as they fall due valued on an IAS 19 basis. The total surplus of £355m has a substantial impact on the net worth of the Council as recorded on the Balance Sheet. An IAS 19 valuation uses more prudent assumptions than those used in the triennial valuation which sets the cash contributions required over the subsequent 3 years. These statutory funding and valuation arrangements mean that the Council's position as an employer in the Fund remains healthy.

The objectives of the Wandsworth Pension Fund are to keep employer's contributions at as constant a rate as possible while prudently managing any surplus or deficit. The latest triennial valuation as at 31 March 2019 showed that the pension fund was 105% funded after setting aside an asset shock reserve. This valuation set contribution rates for the 3 years from 2020/21 of 19.1% of payroll which includes a negative secondary rate in recognition of a surplus position.

The Council is the Administering Authority for the Wandsworth Fund and so would become liable to fund any shortfall in pension benefits should the situation arise. The whole Fund's position, on both an IAS 19 (PF Note 28) and Triennial valuation basis (PF Note 27), is reported in the Pension Fund Accounts.

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

At 31 March 2023, 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.

### 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, meaning that the creditors are responsible for the first 25% of the claim. Whilst these liabilities are subject to change due to the evolving claims landscape further levies are not anticipated at this time. 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 2023.

### 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 meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, fair value, 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 Accountancy Team within the Financial Management Division, 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.

#### Fixed Term 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 is regularly reviewed at the monthly treasury management team meeting. The 2022/23 policy (as amended in December 2022) was as follows:

- a) up to £50m 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 £30m is placed for periods longer than 6 months;
- b) Up to £100m with other UK local authorities or precepting authorities;
- c) Up to £20m 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-Tterm, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);
- d) to £20m 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 £10m 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 £10m 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 £5m 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 £10m 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 £50m with banks owned 20% or more by the UK Government (e.g. NatWest Group). Included in this limit is any balance held in notice funds held with these institutions.

In addition to the above criteria, investments with banks shall not exceed the following percentage parameters:

- a) No more than 40% of total investments shall be held in banks as fixed term deposits (this excludes those banks owned 20% or more by the UK Government (e.g. NatWest Group).
- b) No more than 30% of total investments shall be held in overseas banks as fixed term deposits.
- c) No more than 10% of total investments shall be held in one overseas sovereign country in relation to fixed term deposits

The above investment criteria is regarded as maximum levels and due regard is given to market conditions. Restrictions on the above limits may be placed from time to time on a temporary basis by the Executive Director of Finance or, in her absence, the Director of Financial Management. Any such temporary restrictions applied would be reported to Finance Committee, the Executive and the Council.

### Money Market Funds and Short Dated Income 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 Treasury Management meetings within the Resources Directorate. Daily operation of the funds is managed by the Accountancy Team.
- 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 £50m.
- d) The Federated +1 day MMF may exceed £50m to allow for capital appreciation which may take an initial investment over that value. This capital value will be formally reviewed at the monthly Treasury Management Meeting with the Executive Director of Finance at each £100,000 additional excess achieved.
- e) 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.
- f) Each short dated income fund shall have as a minimum AA credit rating from one of the three main credit rating agencies.
- g) The maximum investment placed in any fund shall not exceed 7.5% of the total assets under management in the fund.
- h) For an AA rated short dated income fund, the maximum investment in any fund shall not exceed £5m, or 7.5% of assets under management whichever is the lower.
- i) Short dated income funds held at a bank which is 20% or more owned by the UK Government (e.g. NatWest Group) are exempt from the MMF criteria a) to h) but are subject to the restrictions detailed in banks criteria i).

### Property Funds

Up to £50m may be placed in a Property Fund that is set up under a scheme approved by HM Treasury so that it does not count as capital expenditure. Total investments in a property fund should not be greater than 5% of total investments, or greater than 10% of the lowest cash flow projection over 3 years (inclusive of the year of investment), when placed.

### Covered Bonds

Up to £50m 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. If the bond issuer is one of the institutions on the Council's investment list this investment will not count against the limit for that counterparty.

### Joint Venture Loans

Loans may be made through bond instruments issued by any Joint Venture arrangement, development partner or vehicle set up for the purpose of regenerating the Council's housing estates. This may be in either cash or backed by property assets. Any such investment shall not exceed £50m per investment/ loan type and £125m in total.



Loans to Staff Mutuals, other service providers and Voluntary organisations

Loans of up to £5m may be made at market rates of interest with terms determined by the Executive Director of Finance.

Longer Term Investments

Investments up to an aggregate limit of £100m for around 5 years, subject to meeting the criteria that investments do not count as capital expenditure. Investments could include individual corporate bonds (grade BBB and above), fixed income funds, equity funds; and multi asset funds. In addition, investments may be made in products akin to those currently used by the Pension Fund. Where practicable, suitable hedging arrangements will be made on all such investments; however, it is recognised that hedging (outside a fund) against downside risk will often be cost prohibitive therefore risk management will focus on diversification. The total amount invested with any one manager shall not exceed £35m unless capital appreciation takes an initial investment over that value. Any new investment should not make the cumulative investments higher than 15% of total investments or 20% of the lowest cash flow projection over 3 years (inclusive of the year of investment) when placed.

Business Improvement Districts (BIDS)

Loans may be made to Wandsworth based BIDS for start-up loans at up to market rates of interest to an overall maximum limit of £1m.

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:

<b>Liquidity Risk</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Less than one year	18,001	17,808
Between one and two years	17,710	17,202
Between two and five years	17,420	0
More than five Years	0	0
More than ten years	0	0
<b>Total</b>	<b>53,131</b>	<b>35,010</b>

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. This loan is repaid in full in March 2025. In 2022/23 the Council has taken no new external borrowing for the General Fund or HRA therefore there has been no affect from rising interest rates.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments especially on Multi Asset and Property Funds. The Accountancy team has an active strategy for assessing interest rate exposure that is used to update budget monitoring 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. 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 £2.6m in 2022/23 (£2.5m in 2021/22) 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 £0.6m on the Internal Audit and Investigations in 2022/23 (£1m in 2021/22).

### Pension Administration Services

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

The Council incurred expenditure of £2.2m and recovered £1.1m from other local authorities in 2022/23 in relation to this service (£2.4m expenditure and £1.4m recovered in 2021/22).

### **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 2022/23.

The Council is part of 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 2022				31 March 2023				
Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
£000	£000	£000	£000		£000	£000	£000	£000
<b>INCOME:</b>								
		(119,713)	(119,713)	Council Tax Receivable			(125,331)	(125,331)
(93,024)			(93,024)	Business Rates Receivable	(105,281)			(105,281)
(182)		0	(182)	Transitional Protection Payments Receivable	383		0	383
	(2,430)		(2,430)	Business Rates Supplements receivable		(2,697)		(2,697)
		(9)	(9)	Transfer from General Fund re Covid Hardship			(2)	(2)
<b>(93,206)</b>	<b>(2,430)</b>	<b>(119,722)</b>	<b>(215,358)</b>	<b>Total amounts to be credited</b>	<b>(104,898)</b>	<b>(2,697)</b>	<b>(125,333)</b>	<b>(232,928)</b>
<b>EXPENDITURE:</b>								
<b>Apportionment of Previous Year Surplus/Deficit:</b>								
(23,025)			(23,025)	Central Government	(14,132)			(14,132)
(21,545)		564	(20,981)	Wandsworth Borough Council	(12,847)		1,381	(11,466)
(25,791)		401	(25,390)	Greater London Authority	(15,844)		1,057	(14,787)
<b>Precepts, demands and shares:</b>								
37,735			37,735	Central Government	32,069			32,069
34,304		65,552	99,856	Wandsworth Borough Council	29,153		65,834	94,987
42,309		49,481	91,790	Greater London Authority	35,956		54,602	90,558
<b>Business Rate Supplement:</b>								
	2,366		2,366	Payment to levying authority's Business Rate Supplement Revenue Account		2,865		2,865
	8		8	Administrative Costs		7		7

				<b>Charges to Collection Fund:</b>				
4		321	325	Write-offs of uncollectable amounts	424		961	1,385
2,587	56	1,536	4,179	Increase/(decrease) in allowance for impairment	(920)	(175)	243	(852)
(259)			(259)	Increase/(decrease) in allowance for appeals	3,793			3,793
439			439	Charge to General Fund for allowable collection costs for non-domestic rates	440			440
				<b>Transfers to General Fund:</b>				
8,162			8,162	Designated Area Payments	8,534			8,534
<b>54,920</b>	<b>2,430</b>	<b>117,855</b>	<b>175,205</b>	<b>Total amounts to be debited</b>	<b>66,626</b>	<b>2,697</b>	<b>124,078</b>	<b>193,401</b>
<b>(38,286)</b>	<b>0</b>	<b>(1,867)</b>	<b>(40,153)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>(38,272)</b>	<b>0</b>	<b>(1,255)</b>	<b>(39,527)</b>
<b>81,737</b>	<b>0</b>	<b>(1,141)</b>	<b>80,596</b>	<b>(Surplus)/Deficit b/f at 1 April</b>	<b>43,451</b>	<b>0</b>	<b>(3,008)</b>	<b>40,443</b>
<b>43,451</b>	<b>0</b>	<b>(3,008)</b>	<b>40,443</b>	<b>(Surplus)/Deficit c/f at 31 March</b>	<b>5,179</b>	<b>0</b>	<b>(4,263)</b>	<b>916</b>

## Notes to the Collection Fund

## Note 1 – Council Tax Income

**2022-23**

<b>Band</b>	<b>Valuation band limits</b>	<b>Calculated no of dwellings</b>	<b>Ratio to band D</b>	<b>Equated No of dwellings</b>	
	<b>£</b>	<b>No</b>		<b>No</b>	
A	Up to and including - 40,000	0	6/9	2,662	
B	40,001 - 52,000	0	7/9	6,476	
C	52,001 - 68,000	0	8/9	26,066	
D	68,001 - 88,000	0	9/9	29,305	
E	88,001 - 120,000	0	11/9	26,810	
F	120,001 - 160,000	0	13/9	23,371	
G	160,001 - 320,000	0	15/9	22,019	
H	More than - 320,001	0	18/9	5,438	
				Adjustment	(4,264)
				Plus Ministry of Defence Properties	145
				<b>Council Tax Base</b>	<b>138,028</b>

**2021-22**

<b>Band</b>	<b>Valuation band limits</b>	<b>Calculated no of dwellings</b>	<b>Ratio to band D</b>	<b>Equated No of dwellings</b>	
	<b>£</b>	<b>No</b>		<b>No</b>	
A	Up to and including - 40,000	3,900	6/9	2,600	
B	40,001 - 52,000	8,197	7/9	6,375	
C	52,001 - 68,000	29,160	8/9	25,920	
D	68,001 - 88,000	29,114	9/9	29,114	
E	88,001 - 120,000	21,459	11/9	26,228	
F	120,001 - 160,000	15,723	13/9	22,711	
G	160,001 - 320,000	13,073	15/9	21,788	
H	More than - 320,001	2,693	18/9	5,386	
				Adjustment	(4,203)
				Plus Ministry of Defence Properties	145
				<b>Council Tax Base</b>	<b>136,064</b>

The rateable value of non-domestic properties at 31 March 2023 was £310.3m (£312.9m for 31 March 2022).

The Business Rates multiplier for 2022/23 was 51.2p and the small business multiplier for 2020/21 was 49.9p (no change for both since 2020/21).

## Housing Revenue Account

### 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.

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
29,236	Repairs & Maintenance	38,355
60,949	Supervision & Management	67,580
586	Rents, Rates, Taxes and other charges	900
47,609	Depreciation, impairments and revaluation losses of non-current assets	43,775
1,021	Movement in the allowance for bad debts	1,925
<b>139,401</b>	<b>Total Expenditure</b>	<b>152,535</b>
	<b>Income</b>	
(113,540)	Dwelling rents	(113,297)
(3,725)	Non-dwelling rents	(3,740)
(25,812)	Charges for services and facilities	(33,937)
(4,044)	Other	(4,751)
<b>(147,121)</b>	<b>Total Income</b>	<b>(155,725)</b>
<b>(7,720)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(3,190)</b>
1,397	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	1,366
<b>(6,323)</b>	<b>Net Expenditure of HRA Services</b>	<b>(1,824)</b>
(21,496)	(Gains)/loss on sale of HRA Fixed Assets	(10,122)
2,754	Interest Payable and Similar Charges	2,840
(4,788)	HRA Interest and Investment Income	(12,344)
770	Net interest on the defined benefit liability/asset	(947)
(9,424)	Capital Grants and Contributions	(35,665)
<b>(38,507)</b>	<b>(Surplus) or Deficit for Year on HRA Services</b>	<b>(58,062)</b>

The statement incorporates £7.6m (£8.4m in 2021/22) 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 £11.3m as at 31 March 2023 (£10.7m as at 31 March 2022), against which a cumulative provision for bad debts of £7.9m (£7.1m as at 31 March 2022) has been established.

## Movement on the HRA Statement

<b>Movement on the HRA Statement</b>		
<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
<b>(139,331)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(147,799)</b>
(38,506)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(58,062)
30,038	Adjustments between accounting basis and funding basis under statute	52,878
<b>(8,468)</b>	<b>Net (increase) or decrease on the HRA</b>	<b>(5,184)</b>
0	Transfers to / (from) Reserves	(473)
(8,468)	(Increase) / decrease on the HRA for the year	(5,184)
<b>(147,799)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(153,456)</b>
<b>2021-22</b>	<b>Adjustment between accounting basis</b>	<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(23,366)	Transfers to/(from) the Capital Adjustment Account	(19,551)
21,681	Gain or (loss) on sale of non-current assets	10,313
(6,384)	Contributions to or (from) the Pension Reserve	(3,097)
(185)	Transfers to/(from) the Capital Receipts Reserve	(191)
213	Transfers to/(from) the Accumulated Absences Account	(381)
24,611	Transfers to/(from) Major Repairs Reserve	25,834
13,468	Transfers to/(from) Capital Grants Unapplied	39,951
<b>30,038</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>52,878</b>



## Notes to the HRA Accounts

## Note 1 - Analysis of Council Housing Stock

31 March 2022				31 March 2023		
Flats	Houses	Total		Flats	Houses	Total
14,452	2,615	17,067	Secure tenancies	14,448	2,607	17,055
41	48	89	Equity share tenancies	42	48	90
230	0	230	Shared dwellings	215	0	215
15,692	46	15,738	Long-lease sold	15,661	46	15,707
<b>30,415</b>	<b>2,709</b>	<b>33,124</b>	<b>Total</b>	<b>30,366</b>	<b>2,701</b>	<b>33,067</b>

## Note 2 – Housing Revenue Account Capital Funding

2021-22			2022-23	
£000			£000	
(2,805)	Borrowing		(5,957)	
(100)	Direct Revenue Financing		0	
(22,637)	Capital Receipts		(15,170)	
(49,093)	Major Repairs Reserve		(58,514)	
(13,468)	Government grants and other contributions		(39,951)	
<b>(88,103)</b>	<b>Total funding</b>		<b>(119,592)</b>	

## Note 3 - Balance Sheet Value of HRA Assets

31 March 2022			31 March 2023	
£000			£000	
	<b>Operational Assets</b>			
1,520,033	Dwellings		1,668,500	
111,891	Other Land and Buildings		111,740	
	<b>Non-Operational Assets</b>			
17,606	Assets under Construction		17,606	
	<b>Investment Assets</b>			
14,691	Investment Property		16,028	
<b>1,664,221</b>	<b>Total</b>		<b>1,813,874</b>	

The vacant possession value of dwellings within the HRA at 31 March 2023 was £6.7bn (£6.2bn in 2021/22). 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 2023. This annual valuation gave an overall un-realised increase in value of £70.2m. This included £88.3m revaluation gain increasing the Revaluation Reserve and £18.1m loss shown as a cost in the Income and Expenditure statement.

### Note 4 – Depreciation of Non-Current Assets

2021-22		2022-23	
£000		£000	
(23,308)	Council Dwellings	(24,511)	
(1,303)	Other Land & Buildings	(1,323)	
<b>(24,611)</b>	<b>Total</b>	<b>(25,834)</b>	

### Note 5 – Transactions relating to retirement benefits

2021-22		2022-23	
£000		£000	
5,414	Current Service Cost	3,883	
199	Past Service Costs	161	
770	Net interest expense / income	-947	
<b>6,383</b>	<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>3,097</b>	

### Note 6 – Total Capital Receipts generated during the year

2021-22		2022-23	
£000		£000	
0	Land	0	
(16,662)	Council Houses	(16,886)	
(11,506)	Other Property	(1,682)	
<b>(28,168)</b>	<b>Total</b>	<b>(18,568)</b>	

## 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 2022/23 (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 2023, in accordance with the legal agreements governing this development, the Council is putting approximately £38m 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 2023. 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 2023.

The financial year end of the Winstanley and York Road Regeneration LLP was 31 December 2022, The Council's financial year end is 31 March 2023. In consolidating the accounts, adjustments need to be made for any significant transactions/ events that occurred between 31 December 2022 and 31 March 2023.

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 draft 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

2021-22				2022-23		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
322,028	(215,201)	106,827	Childrens	337,165	(229,864)	107,301
49,672	(12,223)	37,449	Environment	50,854	(11,365)	39,489
208,685	(179,701)	28,984	Finance	187,018	(158,541)	28,477
145,570	(87,749)	57,821	Health	159,832	(87,213)	72,619
46,406	(26,938)	19,468	Housing	54,263	(35,869)	18,394
131,996	(139,715)	(7,719)	Housing Revenue Account	142,962	(144,786)	(1,824)
152,432	(161,608)	(9,176)	Transport	70,796	(125,601)	(54,805)
<b>1,056,789</b>	<b>(823,135)</b>	<b>233,654</b>	<b>Cost of Services</b>	<b>1,002,890</b>	<b>(793,239)</b>	<b>209,651</b>
7,480	(21,783)	(14,303)	Other Operating Expenditure	66,010	0	66,010
65,504	(73,119)	(7,615)	Financing and Investment Income and Expenditure	97,084	(114,124)	(17,040)
0	(268,799)	(268,799)	Taxation and Non-Specific Grant Income	0	(271,596)	(271,596)
<b>1,129,773</b>	<b>(1,186,836)</b>	<b>(57,063)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,165,984</b>	<b>(1,178,959)</b>	<b>(12,975)</b>
		3,369	Share of the Surplus / Deficit of Joint Ventures			1,563
		<b>(53,694)</b>				<b>(11,412)</b>
		(44,194)	Surplus or deficit on revaluation of Property, Plant and Equipment			(120,247)
		(285,495)	Remeasurement of the net defined benefit liability / asset			(502,724)
		<b>(329,689)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(622,971)</b>
		<b>(383,383)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(634,383)</b>

## Group Balance Sheet

<b>31 March 2022</b>		<b>31 March 2023</b>	
<b>£000</b>		<b>£000</b>	
2,827,101	Property, Plant and Equipment	2,949,873	
1,351	Heritage Assets	1,351	
72,928	Investment Property	70,111	
79,042	Long-Term Investments	100,438	
38,707	Long-Term Debtors	38,644	
<b>3,019,129</b>	<b>Long Term Assets</b>	<b>3,160,417</b>	
494,125	Short-Term Investments	561,746	
1,054	Assets Held for Sale	1,054	
4,540	Inventories	4,431	
158,070	Short-Term Debtors	125,248	
176,669	Cash and Cash Equivalents	87,742	
<b>834,458</b>	<b>Current Assets</b>	<b>780,221</b>	
(17,909)	Short-Term Borrowing	(17,808)	
(181,250)	Short-Term Creditors	(156,021)	
(6,473)	Provisions	(7,651)	
(30,680)	Grants Receipts in Advance - Revenue	(7,709)	
(218)	Grants Receipts in Advance - Capital	(217)	
<b>(236,530)</b>	<b>Current Liabilities</b>	<b>(189,406)</b>	
(39,582)	Long-Term Creditors	(39,582)	
(6,874)	Provisions	(6,686)	
(34,403)	Long-Term Borrowing	(17,202)	
(125,271)	Other Long-Term Liabilities	356,220	
(7,758)	Grants Receipts in Advance - Capital	(4,867)	
(7,712)	Share of Joint Venture Liabilities	(9,275)	
<b>(221,600)</b>	<b>Long Term Liabilities</b>	<b>278,608</b>	
<b>3,395,457</b>	<b>Net Assets</b>	<b>4,029,840</b>	
(828,352)	Usable Reserves	(847,399)	
(2,574,817)	Unusable Reserves	(3,191,716)	
7,712	Share of Joint Venture Reserves	9,275	
<b>(3,395,457)</b>	<b>Total Reserves</b>	<b>(4,029,840)</b>	

## Group Movement in Reserves Statement

	WBC Usable Reserves	WBC Unusable Reserves	Authorities Share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>(828,352)</b>	<b>(2,574,817)</b>	<b>7,712</b>	<b>(3,395,457)</b>
Surplus or deficit on the provision of services	(12,975)	0	1,563	(11,412)
Other Comprehensive Income / Expenditure		(622,971)	0	(622,971)
<b>Total Comprehensive Income and Expenditure</b>	<b>(12,975)</b>	<b>(622,971)</b>	<b>1,563</b>	<b>(634,383)</b>
Adjustments between accounting basis and funding basis under regulations	(6,072)	6,072	0	0
<b>Increase or Decrease in 2022-23</b>	<b>(19,047)</b>	<b>(616,899)</b>	<b>1,563</b>	<b>(634,383)</b>
<b>Balance at 31 March 2023</b>	<b>(847,399)</b>	<b>(3,191,716)</b>	<b>9,275</b>	<b>(4,029,840)</b>

	WBC Usable Reserves	WBC Unusable Reserves	Authorities Share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>(778,348)</b>	<b>(2,238,069)</b>	<b>4,343</b>	<b>(3,012,074)</b>
Surplus or deficit on the provision of services	(57,063)	0	3,369	(53,694)
Other Comprehensive Income / Expenditure		(329,689)	0	(329,689)
<b>Total Comprehensive Income and Expenditure</b>	<b>(57,063)</b>	<b>(329,689)</b>	<b>3,369</b>	<b>(383,383)</b>
Adjustments between accounting basis and funding basis under regulations	7,059	(7,059)	0	0
<b>Increase or Decrease in 2021/22</b>	<b>(50,004)</b>	<b>(336,748)</b>	<b>3,369</b>	<b>(383,383)</b>
<b>Balance at 31 March 2022</b>	<b>(828,352)</b>	<b>(2,574,817)</b>	<b>7,712</b>	<b>(3,395,457)</b>

## Group Cash Flow Statement

<b>2021-22</b>		<b>2022-23</b>
<b>£000</b>		<b>£000</b>
(53,694)	Net (surplus) or deficit on the provision of services	(11,412)
(173,373)	Adjustment to surplus or deficit on the provision of services for noncash movements	(123,440)
118,273	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	85,851
<b>(108,794)</b>	<b>Net cash flows from operating activities</b>	<b>(49,001)</b>
102,122	Net cash flows from investing activities	153,561
(10,875)	Net cash flows from financing activities	(15,633)
<b>(17,547)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>88,927</b>
159,122	Cash and cash equivalents at the beginning of the reporting period	176,669
<b>176,669</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>87,742</b>

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

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL**

#### **Disclaimer of opinion**

We were engaged to audit the financial statements of Wandsworth Borough Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Movement in Reserves Statement,
- Council and Group Cash Flow Statement
- the related notes 1 to 48 including a summary of significant accounting policies
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 6
- Collection Fund and the related note 1

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2021/22 financial statements in March 2024 and issued our audit opinion on 20 March 2024.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

#### **Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)



- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

### **Responsibility of the Executive Director of Finance**

As explained more fully in the Statement of the Statement of Responsibilities set out on page 9, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Group 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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Council 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 responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Wandsworth Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2023.

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 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.


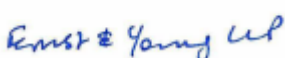
We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We certify that we have completed the audit of the accounts of Wandsworth Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of Wandsworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner) Ernst &  
Young LLP (Local Auditor) London  
Date *01 December 2024*

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 25 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

## Pension Fund Accounts

## Wandsworth Fund Account

2021/22		Note	2022/23
£000			£000
	<b>Dealing with Members, Employers and Others Directly Involved in the Fund</b>		
(68,372)	Contributions receivable	<i>PF Note 8</i>	(73,692)
(10,037)	Transfers In from Other Pension Funds	<i>PF Note 9</i>	(12,867)
(78,409)			(86,559)
80,405	Benefits payable	<i>PF Note 10</i>	84,641
9,960	Payments to and on account of Leavers	<i>PF Note 11</i>	14,150
90,365			98,791
<b>11,956</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>12,232</b>
12,855	Management Expenses	<i>PF Note 12</i>	12,773
<b>24,811</b>	<b>Net (Additions)/Withdrawals including Fund Management Expenses</b>		<b>25,005</b>
	<b>Returns on Investments</b>		
(45,909)	Investment income	<i>PF Note 13</i>	(50,651)
269	Taxes on income	<i>PF Note 13</i>	497
(108,957)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	<i>PF PF Note</i>	140,111
<b>(154,597)</b>	<b>Net Returns on Investments</b>	<b>15</b>	<b>89,957</b>
<b>(129,786)</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>114,962</b>
(2,745,821)	Opening Net Assets of the Fund		(2,875,607)
<b>(2,875,607)</b>	<b>Closing Net Assets of the Fund</b>		<b>(2,760,645)</b>

## Net Assets Statement

31st March 2022		Note	31st March 2023
£000			£000
<b>Investment Assets</b>			
2,840,692	- Investment Assets		2,674,052
50,695	- Cash Deposits with FM		92,497
(26,785)	Investment Liabilities		(10,368)
<b>2,864,602</b>	<b>Total Net Investments</b>	PF Note 15	<b>2,756,181</b>
<b>Long term Assets</b>			
300	- CIV Long Term Capital (Founders' Shares)		300
1,520	- Long Term Debtor	PF Note 29	2,739
<b>2,866,422</b>	<b>Total Long-Term Assets</b>		<b>2,759,220</b>
<b>Current Assets</b>			
10,008	- Cash Deposits with Bank	PF Note 30	1,666
1,882	- Current Assets (excl. bank)	PF Note 30	2,414
<b>11,890</b>			<b>4,080</b>
(2,705)	Current Liabilities	PF Note 30	(2,655)
<b>(2,705)</b>			<b>(2,655)</b>
<b>2,875,607</b>	<b>Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period</b>		<b>2,760,645</b>

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

## Notes to the Wandsworth Pension Fund Accounts

### PF Note 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 and Richmond Councils.

#### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

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 2022		31st March 2023
<b>69</b>	<b>Number of Employers with Active Members</b>	<b>73</b>
	<b>Number of Employees in the Fund</b>	
8,101	Councils (LBRuT & WBC)	8,010
2,923	Other Employers	3,128
<b>11,024</b>	<b>Total</b>	<b>11,138</b>
	<b>Number of Pensioners (including dependents)</b>	
9,847	Councils (LBRuT & WBC)	10,062
1,198	Other Employers	1,285
<b>11,045</b>	<b>Total</b>	<b>11,347</b>
	<b>Number of Deferred Pensioners</b>	
15,944	Councils (LBRuT & WBC)	16,238
3,773	Other Employers	4,021
<b>19,717</b>	<b>Total</b>	<b>20,259</b>
<b>41,786</b>	<b>Total Number of Members in the Fund</b>	<b>42,744</b>

### 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 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which completed early in 2023 and will therefore apply from 1<sup>st</sup> April 2023. The employer primary contribution rates set at the 2019 valuation that applied in the 2022/23 year ranged from 17.4% to 32.0% of pensionable pay with an overall Fund primary rate of 19.6%.

### 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 adjusted 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 – see [www.lgpsmember.org](http://www.lgpsmember.org)

## **PF Note 1 - Basis of Preparation**

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis (see Note 3).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, can be adopted by the Code for accounting periods commencing on or after 1 April 2022 but is not required until 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

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 Note 28.

## **PF Note 2 - Going Concern**

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. All LGPS funds are required to have a Triennial Valuation, where the actuary estimates the net present value of likely future pension payments (taking into account likely pay growth, inflation and longevity) and compares this to the net present value of assets (taking into account growth in market value, reinvestment of returns and so on). This gives a net funding position which is used to decide what contributions are needed for the next 3 years to move towards an acceptable position over up to 20 years.

The Fund's 2019 valuation gave a 105% funding level after allowing for a 10% asset shock reserve (approx. £0.2bn). This position has improved to 116% funding at the 31<sup>st</sup> March 2022 valuation, after allowing for the asset shock reserve. The asset shock reserve gives the Fund added resilience to any market volatility reducing the risk to its long term financial position. The funding level being over 100% provides a buffer for adverse differences between experience over the next 3 years and assumptions made for the valuation. The key assumptions in the valuation are a discount rate of 4.4% and long term average CPI inflation of 2.9%.

The investment return required in the valuation of 4.4% (4.5% for 2019) is a long-term assumption taking into account market volatility and compares favourably with the actual return of 8.9% over the 3 years to March 2023. The annual return to 31<sup>st</sup> March 2023 reported to June Committee was +3.9% (the Fund's benchmark was +3.4%), and total assets valued at £2.8bn. These values include the impact of the "mini budget" in September 2022 and the ongoing market recovery since this point.

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 dealings 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 going concern assumption therefore also considers the medium term position of the Fund. The Fund sets a [3 year cash flow budget](#) every March which shows estimated income and outgoings and returns on investments which can be used to maintain liquidity or for reinvestment as needed. The Fund held £94.2m in cash at 31 March 2023 (see Note 26) and currently has a 55% asset allocation to equity (£1.6bn at 31 March 2023) which could be liquidated quickly if needed. This demonstrates the Fund's short and medium term going concern status.

Richmond and Wandsworth councils represented 73% of regular employer contributions to the Fund during 2022/23, 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. The Fund has the power to borrow to fund benefit payments or for investment when repayment can be made within 90 days under Statutory Instrument 2016/946.

### **PF Note 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 (Note 31) to purchase scheme benefits are accounted for on a cash receipts basis and are included in Transfers In (Note 9). 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, or accurate estimation is not possible, 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.

Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due. The Fund does not currently own any directly held property.

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 LCIV) 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	<p>Investment fees 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 Note 12 and grossed up to increase the change in value of investments.</p> <p>Fees charged by external investment managers and the 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.</p> <p>In addition the fund has paid performance related fees to Oakhill (MAC), Nuveen UKPF (Property) and JP Morgan (Infrastructure). 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.</p> <p>The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.</p>
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## Net Assets Statement

### g) Financial assets

LCIV Long Term Capital represents regulatory capital of the LCIV, the investment is not repayable on demand. This is not an investment; this is a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements. Fair value at 31 March 2023 is cost as the shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV. This value includes both Wandsworth and Richmond shares due to the Funds having merged in 2016. Investments accessed via the LCIV 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 31<sup>st</sup> March 2023, this value has been amended for calls and distributions since the reporting period and change in the exchange rate as the best estimate of fair value at 31<sup>st</sup> March 2023, in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial 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. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in PF Note **15**. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the Fund Account. 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 PF Note **15**). 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 as at the year-end date by independent external valuers on a fair value basis, see Note 19 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. The Fund does not use hedge accounting, showing derivative values and movements separate from the assets whose risks they are offsetting.

**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 Note 29).

**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. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash equivalents are pooled funds similar to liquidity money market funds. 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 the value of outstanding principal receivable 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 legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value 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 in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis.

**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 IAS19 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 (Note 28).

#### **p) Additional voluntary contributions**

The 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 Note 31.

#### **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 future events.

A contingent liability arises where an event has taken place prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when 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.

### **PF Note 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 Note 27. 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**

Covid 19 had an impact on financial markets during 2019/20 and early 2020/21 when market values fell for almost all asset classes and the Fund's pooled property investments were subject to material valuation uncertainty at 31 March 2020 and many property funds were closed to redemptions. Market pricing returned to around pre pandemic levels by 31<sup>st</sup> March 2021 and pricing from mid 2020/21 reflects the "new normal". Therefore there is minimal impact of Covid 19 in either 2021/22 or 2022/23 accounts. The Fund's pooled infrastructure investments include some transport infrastructure and pooled property includes office space, both of which will continue to be valued based on "new normal" demand for these assets.

#### **Asset Valuations and the Conflict in Ukraine**

The ongoing conflict between Russia and Ukraine impacted financial markets late in the 2021/22 financial year. As at 31 March 2022 UK funds were unable to trade in assets in Russia due to UK government restrictions. Therefore any assets held were assigned nil fair value at that date due to the inability to realise the investment.

The Wandsworth Fund did not hold material direct investments in the area but had exposure (estimated at 0.11% of the Fund value at the end of February 2022) via pooled equity vehicles prior to this devaluation. The Fund also held debt and infrastructure investments with companies that had offices in the region where it is not possible to estimate a value at

risk due to the diluted impact on the investment. Therefore there is no direct material impact on the Fund's accounts, although the uncertainty caused by the conflict will have impacted via wider market sentiment.

The impact of reduced supply on fuel prices and profits from fuel supply would have been felt in market pricing for affected companies.

### **Impacts of Inflation and High Interest Rates**

Inflation is a key assumption in the Fund's triennial valuation and therefore potentially impacts the valuation disclosure in Note 27 and the Going Concern assumption (Note 3). The valuation was scrutinised by Joint Pensions Committee and discussion testing the long term assumption for inflation has been minuted. The actuarial view is that while inflation is at a 40 year high this is a short term position only and therefore has a much lower impact over the long term investment horizon of the Fund. The actuary's valuation takes account of the use of September CPI to annually inflate benefit payments and again while this is projected to have an immediate impact on cashflows (see [3 year cash flow budget](#)) the long and short term impacts are built into the relevant projections.

Likewise the current interest rate levels and likely duration at this level (which is linked to inflation assumptions) have been considered in the triennial valuation and shorter term cash flow projections (where prudence has also been considered).

### **Private Debt and Infrastructure investments (Level 3 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 31 March 2023, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

### **PF Note 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 2023 are unavailable are detailed in Note 5. The Level 3 assets which rely on professional judgement due to lack of market information are valued at £402.4m (Note 23) and a 1% change in value is £4.0m. The use of currency hedging to mitigate future exchange rate risk is detailed in Note 20. The Fund has opted to disclose the actuarial present value of promised retirement benefits by way of Note 28 and the estimation and assumptions inherent in this calculation therefore has no impact on the Net Asset Statement.

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 material adjustment the following year are as follows:

<b><u>Item</u></b>	<b><u>Uncertainties</u></b>	<b><u>Effect if actual results differ from assumptions</u></b>
Pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible the fund valuer uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £15.6m, on carrying values of £156.1m.

Infrastructure funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets in similar way to property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £20.7m, on carrying values of £207.0m.
Private debt funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets which are high yield debt instrument.	Changes in the valuation assumptions used, together with significant changes in credit rating of the counterparties could affect the fair value of debt-based investments by up to 10% i.e. an increase or decrease of £19.5m, on carrying values of £195.4m.

## PF Note 6 - Events After the Reporting Date

The figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of any information received post 31 March 2023 which reflect conditions as at the 31 March 2023. None of the information received gave rise to material changes and there no changes have been made.

The value of infrastructure and private debt assets in the accounts is estimated using the manager's valuation of 31 December updated for cash flows from 1 January to 31 March 2023 where manager valuations were not available while preparing the accounts. The managers' valuations at 31 March 2023 were received during May 2023 with the exception of one infrastructure manager. The accounts therefore only include one estimated valuation for that manager. If this is received prior to or during the audit it will be disclosed below for information

<b>Asset Class</b>	<b>Estimated value 31<sup>st</sup> March 2022 £m</b>	<b>Manager reported value 31<sup>st</sup> March 2022 £m</b>	<b>Difference £m</b>
Infrastructure	161.572	166.147	3.269
Private Debt	131.056	132.747	1.691
<b>Total</b>	<b>292.628</b>	<b>298.894</b>	<b>4.960</b>

<b>Asset Class</b>	<b>Values Reported as at 31<sup>st</sup> March 2023 £m</b>	<b>Manager reported value 31<sup>st</sup> March 2023 £m</b>	<b>Difference £m</b>
Infrastructure	207.047	tba	tba
Private Debt	195.366	195.366	nil
<b>Total</b>	<b>402.413</b>		

While there has been no single event having a significant impact on markets and therefore the fair value of the investments, there have been interest rate increases and other market movements in relation to the economic environment. There have also been capital calls from private asset managers and other normal movements in balances. The Fund had asset values of £2.758bn at 31 March 2023 and £2.762bn at 30 April 2023 (the latest available pricing). While the valuation at 31<sup>st</sup> March remains correct, the current value is included for information.

A bulk transfer of the Richmond upon Thames College employer to LB Hillingdon pension fund has been agreed with effect from 1 April 2023. The initial estimate of the asset value to be transferred is in the region of £42m. This will reduce the value of investments held by the

Fund and recognised in the Net Asset Statement for next financial year, once the transfer is finalised. The Fund does not recognise the obligation to pay benefits (see

**PF Note 1)** other than in Note 28 so the asset reduction of £42m is the only impact on the Net Asset Statement.

### PF Note 7 - Contributions Receivable

31st March 2022 £000		31st March 2023 £000
(17,095)	<b>Employees' Contributions</b>	(18,607)
(49,219)	Normal Contributions	(53,026)
(743)	Deficit Recovery Contributions	(705)
(1,315)	Augmentation Contributions	(1,354)
<b>(51,277)</b>	<b>Employers' Contributions</b>	<b>(55,085)</b>
<b>(68,372)</b>	<b>Total Contributions by Category</b>	<b>(73,692)</b>
(50,308)	Councils (LBRuT & WBC)	(53,884)
(10,114)	Scheduled Bodies	(11,543)
(2,955)	Admitted Bodies	(2,602)
(4,995)	Designated Bodies	(5,663)
<b>(68,372)</b>	<b>Total Contributions by Body</b>	<b>(73,692)</b>

### PF Note 8 - Transfers In from Other Pension Funds

31st March 2022 £000		31st March 2023 £000
(660)	Group Transfers	0
(9,377)	Individual Transfers	(12,867)
<b>(10,037)</b>		<b>(12,867)</b>

The £0.7m group transfer in 2021/22 relates to the residual value of Royal Borough of Windsor & Maidenhead's staff joining Achieving for Children who are a scheme employer. There were no group transfers during 2022/23.

### PF Note 9 - Benefits Payable

31st March 2022 £000		31st March 2023 £000
69,651	Pensions	72,684
9,604	Commutation and Lump Sum Retirement Benefits	10,224
1,150	Lump Sum Death Benefits	1,733
<b>80,405</b>	<b>Total Benefits by Category</b>	<b>84,641</b>
72,635	Councils (LBRuT & WBC)	76,023
3,374	Scheduled Bodies	3,984
3,587	Admitted Bodies	3,931
809	Designated Bodies	703
<b>80,405</b>	<b>Total Benefits by Body</b>	<b>84,641</b>

**PF Note 10 - Payments To and On Account of Leavers**

31st March 2022 £000		31st March 2023 £000
268	Refund to Members Leaving Service	348
0	Group Transfers	0
9,692	Individual Transfers	13,802
<b>9,960</b>	<b>Total Payments to/on account of Leavers</b>	<b>14,150</b>

**PF Note 11 - Management Expenses**

2021/22 £000		2022/23 £000
	<b>Management Costs</b>	
1,324	Administrative Costs	1,184
11,185	Investment Management Expenses	11,199
346	Oversight & Governance Costs	390
<b>12,855</b>	<b>Total Management Costs</b>	<b>12,773</b>

Administrative Costs for 2021/22 included a one-off item relating to a prior year.

Oversight & Governance Costs have increased due to the triennial valuation work undertaken in 2022/23.

2021/22	Total	Management Fees	Performance Fees	Transaction Costs
Detail of Investment Management Expenses	£000	£000	£000	£000
<b>Bonds</b>				
Allianz (ex-Rogge)	283	283		
<b>Equity</b>				
River & Mercantile (to November 2021)	410	150		260
<b>Pooled Property</b>				
Aberdeen	10	10		
CCLA	30	30		
Janus Henderson managed Nuveen UKPF (to February 2022)	525	525		
Legal & General	124	124		
Nuveen (UKPF) (from February 2022)	88	48	40	
Schroders *	430	430		
<b>Pooled Equity</b>				
LCIV Global Alpha Growth - Baillie Gifford	1,458	1,458		
LCIV Global Equity Focus - Longview	2,114	2,114		
LCIV Legal & General passive overlay	27	27		
LCIV Sustainable Equity - RBC	566	566		
UBS	29	29		
<b>Pooled Multi-Asset</b>				
CQS	429	429		
LCIV MAC - CQS	406	406		
LCIV Diversified Growth Fund - Baillie Gifford	0	0		
Legal & General Multi Asset	162	162		
Oakhill	1,003	894	109	
<b>Pooled Infrastructure</b>				
JP Morgan	616	548	68	
Pantheon	436	436		
LCIV Renewable Infrastructure	832	832		
<b>Pooled Private Debt</b>				
Brightwood	164	164		
Churchill	360	360		
Permira	296	296		
<b>Derivatives - Currency Hedging for risk management</b>				
Russell	144	144		
London LCIV Fixed Costs	110	110		
Other	0	0		
<b>Total paid to Fund Managers</b>	<b>11,052</b>	<b>10,575</b>	<b>217</b>	<b>260</b>
Custodian - Custody Fees	56			
Administering Authority monitoring cost	77			
<b>Total Investment Management Expenses</b>	<b>11,185</b>			



2022/23	Total	Management Fees	Performance Fees	Transaction Costs
Detail of Investment Management Expenses	£000	£000	£000	£000
<b>Bonds</b>				
Allianz (ex-Rogge)	230	230		
Janus Henderson	55	55		
<b>Equity</b>				
River & Mercantile contract ended November 2021	0	0		0
<b>Pooled Property</b>				
Aberdeen contract ended March 2022	0	0		
CCLA	31	31		
Janus Henderson managed Nuveen UKPF	0	0		
Legal & General	133	133		
Nuveen (UKPF)	510	278	232	
Schroders *	387	387		
<b>Pooled Equity</b>				
LCIV Global Alpha Growth - Baillie Gifford	1,152	1,152		
LCIV Global Equity Focus – Longview	2,136	2,136		
LCIV Legal & General passive overlay	27	27		
LCIV Sustainable Equity – RBC	964	964		
UBS contract ended January 2022	0	0		
<b>Pooled Multi-Asset</b>				
CQS transferred to LCIV from February 2022	0	0		
LCIV Alternative Credit Fund - CQS	639	639		
Legal & General Multi Asset	172	172		
Oakhill	749	717	32	
<b>Pooled Infrastructure</b>				
JP Morgan	878	617	261	
Pantheon	474	474		
LCIV Renewable Infrastructure	1,030	1,030		
<b>Pooled Private Debt</b>				
Brightwood	192	192		
Churchill	566	566		
Permira	472	472		
<b>Derivatives - Currency Hedging for risk management</b>				
Russell	160	160		
London LCIV Fixed Costs	110	110		
Other – Balance of Estimated Fees	(21)	(21)		
<b>Total paid to Fund Managers</b>	<b>11,046</b>	<b>10,521</b>	<b>525</b>	<b>0</b>
Custodian - Custody Fees	46			
Administering Authority monitoring cost	107			
<b>Total Investment Management Expenses</b>	<b>11,199</b>			

Transaction costs are defined as direct incremental costs of acquiring an asset, such as broker's commission. These are only available for segregated investments. Pooled investments report returns net of these direct costs due to the nature of the investment vehicle.

Administering Authority monitoring costs are an allocation of administering authority staff costs relating to monitoring investments.

\* The Fund incurred £16k of commission on the acquisition of units in Schroders' property fund in 2022/23 (£100k in 2021/22) which were capitalised and therefore not included in Management Costs in the Fund Account.

## PF Note 12 - Investment Income

2021/22 £000		2022/23 £000
	<b>Income from</b>	
(3,871)	Equity	(5)
(6,167)	Bonds	(6,308)
(9,878)	Pooled Equity	(13,725)
(3,653)	Pooled Bonds	(2,101)
(5,418)	Pooled Property	(6,711)
(10,003)	Pooled Infrastructure	(9,487)
(6,903)	Pooled Private Debt	(10,874)
(16)	Cash Deposits	(1,440)
<b>(45,909)</b>	<b>Total Investment Income</b>	<b>(50,651)</b>
	<b>Taxes on Income</b>	
28	Overseas Withholding Tax on Equities	0
0	Overseas Withholding Tax on Bonds	237
241	Overseas Withholding Tax on Pooled Vehicles	260
<b>269</b>	<b>Total Taxes on Income</b>	<b>497</b>

## Property Income

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

## PF Note 13 - External Audit Costs

31st March 2022 £000		31st March 2023 £000
21	Payable in respect of external audit	21
24	Prior Year Fee Adjustment (2019/20)	0
(4)	Prior year Fee Rebate	0
<b>41</b>		<b>21</b>

The Fund has been in discussion with external audit regarding additions to the PSAA scale fee in relation to costs of Covid working and changes to audit guidance in respect of Level 3 asset valuations, among other areas. PSAA have now agreed an amendment to the 2019/20 audit fee. While it is anticipated there will be a similar amendment to the 2020/21 and 2021/22 fee, this cannot be reliably estimated at this time.

**PF Note 14 – Investments**

31st March 2022 £000		31st March 2023 £000
	<b>Investment Assets</b>	
219,195	Bonds	174,935
-	Pooled Funds	-
1,719,827	- Equity	1,555,450
415,721	- Fixed Income	362,207
184,660	- Property	156,097
161,572	- Infrastructure	207,047
131,057	- Private debt	195,366
	Derivative Contracts	
753	- Futures	285
2,291	- Forward currency contracts	11,224
2,518	Cash Collateral	7,062
3,098	Investment Income Due	3,974
0	Amounts Receivable for Sales	405
0	Amounts Receivable for Pending Spot FX	0
<b>2,840,692</b>	<b>Other Investment Assets</b>	<b>2,674,052</b>
50,695	Cash Deposits	92,497
<b>2,891,387</b>	<b>Total Investment Assets</b>	<b>2,766,549</b>
	<b>Investment Liabilities</b>	
	Derivative Contracts	
(143)	- Futures	(658)
(17,331)	- Forward currency contracts	(547)
(6,903)	Amounts Payable for Purchases	(1,375)
(2,408)	Other Investment Liabilities	(7,788)
<b>(26,785)</b>	<b>Total Investment Liabilities</b>	<b>(10,368)</b>
<b>2,864,602</b>	<b>Net Investment Assets</b>	<b>2,756,181</b>

Following the revision of the Investment Strategy Statement in 2020, the Fund has been holding equity and fixed income (specifically Multi Asset Credit) investments above the new target allocation pending capital calls from infrastructure and private debt managers. These private asset managers have drawn down significant amounts in year and the equity and fixed income investments have been reduced to fund this.

## PF Note 15 - Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2021	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 2022
	£000	£000	£000	£000	£000
Equities	195,332	27,802	(234,895)	11,761	0
Bonds	219,410	119,669	(106,532)	(13,352)	219,195
Pooled Equity	1,529,368	388,276	(301,957)	104,140	1,719,827
Pooled Bonds	354,449	86,815	(28,382)	2,839	415,721
Pooled Property	106,409	52,517	(28)	25,762	184,660
Infrastructure	115,999	50,673	(11,249)	6,149	161,572
Private debt	103,457	26,363	(3,538)	4,775	131,057
<b>Investments excl. Derivatives</b>	<b>2,624,424</b>	<b>752,115</b>	<b>(686,581)</b>	<b>142,074</b>	<b>2,832,032</b>
Derivative Contract:					
Futures	293	2,161	(1,869)	25	610
Forward Currency Contracts	6,282	54,461	(42,402)	(33,381)	(15,040)
	<b>2,630,999</b>	<b>808,737</b>	<b>(730,852)</b>	<b>108,718</b>	<b>2,817,602</b>
Other Investment Balances:					
Cash Deposits	105,288			287	50,695
Amount Receivable for Sales & Investments	1,291			0	0
Investment Income Due	3,563			0	3,098
Spot FX Contracts	0			(47)	0
Amount Payable for Purchases of Investments	(3,163)			(1)	(6,903)
Cash Collateral	(246)			0	2,518
Obligation to Return Cash Collateral	0				(2,408)
<b>Total Net Investments</b>	<b>2,737,732</b>			<b>108,957</b>	<b>2,864,602</b>
<b>Profit/(Loss) on Disposal of Investment and changes in Market Value</b>				<b>108,957</b>	

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.

Asset Category	Market Value 1 April 2022	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 2023
	£000	£000	£000	£000	£000
Equities	0	0	0	0	0
Bonds	219,195	86,396	(92,693)	(37,963)	174,935
Pooled Equity	1,719,827	6,768	(141,607)	(29,538)	1,555,450
Pooled Bonds	415,721	563	(33,557)	(20,520)	362,207
Pooled Property	184,660	3,686	(1)	(32,248)	156,097
Infrastructure	161,572	34,062	(13,979)	25,392	207,047
Private debt	131,057	59,127	(3,501)	8,683	195,366
<b>Investments excl. Derivatives</b>	<b>2,832,032</b>	<b>190,602</b>	<b>(285,338)</b>	<b>(86,194)</b>	<b>2,651,102</b>
Derivative Contract:					
Futures	610	3,093	(3,718)	(358)	(373)
Forward Currency Contracts	(15,040)	188,657	(109,267)	(53,673)	10,677
	<b>2,817,602</b>	<b>382,352</b>	<b>(398,323)</b>	<b>(140,225)</b>	<b>2,661,406</b>
Other Investment Balances:					
Cash Deposits	50,695			45	92,497
Amount Receivable for Sales & Investments	0			0	405
Investment Income Due	3,098			0	3,974
Spot FX Contracts	0			66	0
Amount Payable for Purchases of Investments	(6,903)			3	(1,375)
Cash Collateral	2,518			0	7,062
Obligation to Return Cash Collateral	(2,408)				(7,788)
<b>Total Net Investments</b>	<b>2,864,602</b>			<b>(140,111)</b>	<b>2,756,181</b>
Other changes in balances recognised in the Fund Account					
<b>Profit/(Loss) on Disposal of Investment and changes in Market Value</b>				<b>(140,111)</b>	

## PF Note 16 - Investments Analysed by Fund Manager

Market Value 31st March 2022			Market Value 31st March 2023		
£000	%		£000	%	
<b>Pooled Via London LCIV</b>					
452,003	15.8	London LGPS LCIV (Global Equity Focus Longview)	477,736	17.3	
22	0.0	London LGPS LCIV (Allianz Global Equity)	0	0.0	
361,611	12.6	London LGPS LCIV (Global Alpha Growth Baillie Gifford)	342,259	12.4	
272,568	9.5	London LGPD LCIV (Sustainable Equity Fund RBC)	251,711	9.1	
167,467	5.8	London LGPS LCIV (Alternative Credit CQS)	146,449	5.3	
30,433	1.1	London LGPS LCIV (Renewable Infrastructure)	48,692	1.8	
<b>1,284,104</b>		<b>Pooled total</b>	<b>1,266,847</b>		
<b>Direct</b>					
6	0.0	River & Mercantile (UK Equity)*	0	0.0	
67,554	2.4	UBSGAM (Passive Multi-Asset)	0	0.0	
630,680	22.0	L&G (Passive Multi-Asset & Pooled Property)	541,088	19.6	
223,174	7.8	Allianz (Enhanced Bonds)*	188,514	6.9	
37,024	1.3	Janus Henderson (Pooled Bonds)	33,191	1.2	
162,861	5.7	Oakhill (Multi-Asset Credit)	138,958	5.1	
28	0.0	Aberdeen (Property Pooled Vehicle)	0	0.0	
48,164	1.7	Nuveen Real Estate UKPF (Pooled Property)	41,939	1.5	
5,049	0.2	CCLA / LAMIT (Pooled Property)	4,216	0.2	
110,194	3.8	Schroders SCREF (Pooled Property)	92,082	3.3	
48,613	1.7	Northern Trust (Custodian)	81,206	3.0	
(15,044)	(0.5)	Russell Investments (FX Overlay)*	14,343	0.5	
87,141	3.0	JP Morgan Asset Management (Infrastructure)	101,156	3.7	
43,998	1.5	Pantheon Ventures (Infrastructure)	57,210	2.1	
20,313	0.7	Brightwood (Private Debt)	23,199	0.8	
51,802	1.8	Churchill (Private Debt)	88,909	3.2	
58,941	2.1	Permira Advisors LLP (Private Debt)	83,323	3.0	
<b>1,580,498</b>	<b>100.0</b>	<b>Direct total</b>	<b>1,489,334</b>	<b>100.0</b>	
<b>2,864,602</b>		<b>Total Net Investments</b>	<b>2,756,181</b>		

\* 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 2022			Market Value 31st March 2023		
£000	%		£000	%	
566,331	19.8	GPEV - FW GLOBAL EQUITY INDEX GBP OFC.	484,003	17.6	
451,863	15.8	London LGPS LCIV (Longview Global Equity)	477,584	17.3	
361,511	12.6	London LGPS LCIV (Baillie Gifford Global Equity)	342,153	12.4	
272,568	9.5	RBC Global Asset Management Sustainable Equity	251,711	9.1	
162,860	5.7	OHA Diversified Cr Strtgs Fund	146,442	5.3	
167,467	5.8	London LGPS LCIV CQS (Multi-Asset Credit)	138,948	5.0	
<b>1,982,600</b>	<b>69.2</b>	<b>Total Investment Assets</b>	<b>1,840,841</b>	<b>66.7</b>	

## PF Note 17 - Stock Lending

Stock lending is normally prohibited in segregated investment management agreements.

## PF Note 18 - Property Holdings

The Fund's investment in property is in pooled property funds. The Fund does not directly hold property.

## PF Note 19 - 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 Overlay / PCO") implemented by Russell Investments, which is described below

### a) Futures

The Fund holds futures as part of the fund managers' interest rate risk management strategy. Outstanding exchange traded futures contracts are as follows:

Economic Exposure £000	Market Value 31st March 2022		Type	Expires	Economic Exposure £000	Market Value 31st March 2023	
	£000	£000				£000	£000
0	0		<b>Assets</b>				
(32,023)	753		UK Fixed Income Futures	< 1 Year	13,332		285
			Overseas Fixed Income Futures	< 1 Year	0		0
	<b>753</b>		<b>Total Assets</b>				<b>285</b>
			<b>Liabilities</b>				
13,214	(143)		UK Fixed Income Futures	< 1 Year	0		0
0	0		Overseas Fixed Income Futures	< 1 Year	(25,958)		(658)
	<b>(143)</b>		<b>Total Liabilities</b>				<b>(658)</b>
	<b>610</b>		<b>Net Futures</b>				<b>(373)</b>

### b) Forward Foreign Currency

The Pension Fund entered into a passive currency hedging programme in May 2018 to manage risk, and not for speculation purposes. Hedge instruments are purchased to manage exchange rate risk in foreign currency denominated 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 2022/23:

Financial instrument	How this has been applied to manage risk	Possible impact on future cash flows
Exchange rate 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.	<b>Error! Reference source not found.</b> shows the impact of 10% potential market movement in exchange rates. For a 10% reduction in exchange rates, the hedge would cover a loss of £107.7m (£103.8m in 21/22).

The details of the passive currency hedging implementation within the Fund based on the currency the investment is in are as follows:

Asset Class	Methodology
Global Equity	50% of notional currency exposure is hedged using rolling up to 4-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 up to 4-month OTC (Non-Collateralised) Currency Forwards.
Private Debt	100% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.

The accuracy of the hedge is reliant on changes to asset values being communicated in a timely manner, and it is therefore accepted that the hedge may be up to 5% variant to the target at any point.

Infrastructure and private debt managers may also use currency hedging within their pooled vehicles.

Open Forward Foreign Currency Contracts are as follows:

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	AUD	2,175	GBP	(1,226)	0	(47)
< 1 month	CAD	2,642	GBP	(1,586)	0	(8)
< 1 month	CHF	426	GBP	(378)	0	0
< 1 month	EUR	3,748	GBP	(3,319)	0	(23)
< 1 month	GBP	291,336	USD	(359,688)	576	0
< 1 month	GBP	11,694	JPY	(1,861,480)	344	(1)
< 1 month	GBP	5,278	CAD	(8,710)	74	0
< 1 month	GBP	4,631	AUD	(8,091)	247	0
< 1 month	GBP	1,180	SEK	(14,800)	25	0
< 1 month	GBP	22,000	EUR	(24,847)	149	0
< 1 month	GBP	6,095	CHF	(6,883)	0	(11)
< 1 month	GBP	742	SGD	(1,208)	7	0
< 1 month	GBP	8,994	HKD	(86,691)	55	0
< 1 month	HKD	21,651	GBP	(2,245)	0	(13)
< 1 month	JPY	1,147,100	GBP	(7,228)	0	(233)
< 1 month	SEK	14,810	GBP	(1,165)	0	(9)
< 1 month	SGD	5	GBP	(3)	0	0
< 1 month	USD	45,734	GBP	(36,998)	0	(28)
1-6 months	AUD	724	GBP	(394)	0	(1)
1-6 months	CHF	410	GBP	(368)	0	(3)
1-6 months	EUR	3,622	GBP	(3,199)	0	(6)
1-6 months	GBP	75,275	EUR	(85,245)	221	(10)
1-6 months	GBP	489,437	USD	(596,789)	7,517	0
1-6 months	GBP	2,274	SGD	(3,687)	30	0
1-6 months	GBP	22,364	CAD	(36,696)	443	(2)
1-6 months	GBP	17,238	CHF	(19,198)	157	0
1-6 months	GBP	14,507	AUD	(25,583)	637	0
1-6 months	GBP	46,658	JPY	(7,533,571)	547	0
1-6 months	GBP	9,066	SEK	(113,518)	195	0
1-6 months	HKD	8,962	GBP	(943)	0	(18)
1-6 months	JPY	341,926	GBP	(2,163)	0	(62)
1-6 months	SGD	194	GBP	(119)	0	(1)
1-6 months	USD	2,910	GBP	(2,421)	0	(71)
<b>Open Forward Currency Contracts at 31st March 2023</b>					<b>11,224</b>	<b>(547)</b>
<b>Net Forward Currency Contracts at 31st March 2023</b>						<b>10,677</b>
<b>Prior year comparative:</b>						
<b>Open Forward Currency Contracts at 31st March 2022</b>					<b>2,290</b>	<b>(17,330)</b>
<b>Net Forward Currency Contracts at 31st March 2022</b>						<b>(15,040)</b>



## PF Note 20 - Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

LCIV Long Term Capital is not held for investment purposes, it represents the Fund's 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. 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 31<sup>st</sup> March 2023, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

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, comprising 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.

**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 valuation basis for each category of investment asset is set out below:

	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
<b>Level 1</b>			
Cash Deposits	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Cash Collateral	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Equities	Published bid market price on the final day of the accounting period	Not Required	Not Required
Bonds	Quoted market value based on current yields	Not Required	Not Required
Short term debtors and creditors (investment and trade)	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
<b>Level 2</b>			
Pooled equity and bond Investments	Published bid market price on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not Required

<b>Level 3</b>			
Pooled Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows or default in the underlying loans.
Pooled Infrastructure	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows, default by counterparties or site issues.

### **Sensitivity of assets valued at Level 3**

Having 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 2023:

<b>Asset</b>	<b>Potential Variation in Fair Value (+/-)</b>	<b>Value at 31st March 2022 £000</b>	<b>Potential Value on Increase £000</b>	<b>Potential Value on Decrease £000</b>
Infrastructure	15.0%	161,572	185,879	137,265
Private Debt	12.2%	131,057	147,065	115,048
		<b>292,629</b>	<b>332,944</b>	<b>252,313</b>

<b>Asset</b>	<b>Potential Variation in Fair Value (+/-)</b>	<b>Value at 31st March 2023 £000</b>	<b>Potential Value on Increase £000</b>	<b>Potential Value on Decrease £000</b>
Infrastructure	15.4%	207,047	238,932	175,162
Private Debt	13.0%	195,366	220,764	169,968
		<b>402,413</b>	<b>459,696</b>	<b>345,130</b>

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. As such, significant market volatility could result in larger movements in market price than set out above. The volatility assumptions displayed are based on option-implied market volatility, where available, with an allowance for the historical tendency of option-implied volatility to overestimate subsequent experienced volatility.

### **PF Note 21 - Fair Value Hierarchy**

The following table 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 2022				
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit and loss				
- Bonds	219,195	0	0	219,195
- Pooled Equity	0	1,719,827	0	1,719,827
- Pooled Bonds	0	415,721	0	415,721
- Pooled Property	0	184,660	0	184,660
- Infrastructure	0	0	161,572	161,572
- Private Debt	0	0	131,057	131,057
- Derivative Assets	0	3,044	0	3,044
- Cash deposits	50,695	0	0	50,695
- Other investment assets	2,518	0	0	2,518
- Investment income due	0	3,098	0	3,098
- Amounts Receivable for Sales	0	0	0	0
	<b>272,408</b>	<b>2,326,350</b>	<b>292,629</b>	<b>2,891,387</b>
<b>Financial Liabilities</b>				
Payable for investment purchases	0	(6,903)	0	(6,903)
Other investment liabilities	(2,408)	0	0	(2,408)
Derivative liabilities	0	(17,474)	0	(17,474)
	<b>(2,408)</b>	<b>(24,377)</b>	<b>0</b>	<b>(26,785)</b>
<b>Total</b>	<b>270,000</b>	<b>2,301,973</b>	<b>292,629</b>	<b>2,864,602</b>

31st March 2023				
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit and loss				
- Bonds	174,935	0	0	174,935
- Pooled Equity	0	1,555,450	0	1,555,450
- Pooled Bonds	0	362,207	0	362,207
- Pooled Property	0	156,097	0	156,097
- Infrastructure	0	0	207,047	207,047
- Private Debt	0	0	195,366	195,366
- Derivative Assets	0	11,509	0	11,509
- Cash deposits	92,497	0	0	92,497
- Other investment assets	7,062	0	0	7,062
- Investment income due	0	3,974	0	3,974
- Amounts Receivable for Sales	0	405	0	405
	<b>274,494</b>	<b>2,089,642</b>	<b>402,413</b>	<b>2,766,549</b>
<b>Financial Liabilities</b>				
Payable for investment purchases	0	(1,375)	0	(1,375)
Other investment liabilities	(7,788)	0	0	(7,788)
Derivative liabilities	0	(1,205)	0	(1,205)
	<b>(7,788)</b>	<b>(2,580)</b>	<b>0</b>	<b>(10,368)</b>
<b>Total</b>	<b>266,706</b>	<b>2,087,062</b>	<b>402,413</b>	<b>2,756,181</b>

### Transfers between Levels 1 and 2

No assets have transferred between levels during the reporting period.

## PF Note 22 - Reconciliation of Fair Value Measurements within Level 3

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

	Infrastructure	Private Debt	Total
	£000	£000	£000
<b>Value 31st March 2021</b>	<b>115,999</b>	<b>103,457</b>	<b>219,456</b>
Transfers In	0	0	0
Transfers Out	0	0	0
Purchases & Derivative Payments	50,673	26,363	77,036
Sales & Derivative Receipts	(11,249)	(3,538)	(14,787)
Unrealised Gains / (Losses)	4,745	4,907	9,652
Realised Gains / (Losses)	1,404	(132)	1,272
<b>Value 31st March 2022</b>	<b>161,572</b>	<b>131,057</b>	<b>292,629</b>

	Infrastructure	Private Debt	Total
	£000	£000	£000
<b>Value 31st March 2022</b>	<b>161,572</b>	<b>131,057</b>	<b>292,629</b>
Transfers In	0	0	0
Transfers Out	0	0	0
Purchases & Derivative Payments	34,062	59,128	93,190
Sales & Derivative Receipts	(13,979)	(3,501)	(17,480)
Unrealised Gains / (Losses)	22,278	8,422	30,700
Realised Gains / (Losses)	3,114	260	3,374
<b>Value 31st March 2023</b>	<b>207,047</b>	<b>195,366</b>	<b>402,413</b>

## PF Note 23 - Classification of Financial Instruments

31st March 2022			31st March 2023		
Fair Value through P&L £000	Assets at Amortised Cost £000	Liabilities at Amortised Cost £000	Fair Value through P&L £000	Assets at Amortised Cost £000	Liabilities at Amortised Cost £000
<b>Financial Assets</b>					
219,195			174,935		
1,719,827			1,555,450		
415,721			362,207		
184,660			156,097		
161,572			207,047		
131,057			195,366		
3,044			11,509		
	50,695			92,497	
2,518	3,098		7,062	3,974	
	0			405	
<b>2,837,594</b>	<b>53,793</b>	<b>0</b>	<b>2,669,673</b>	<b>96,876</b>	<b>0</b>
<b>Financial Liabilities</b>					
(17,474)			(1,205)		
		(2,408)			(7,788)
		(6,903)			(1,375)
<b>(17,474)</b>	<b>0</b>	<b>(9,311)</b>	<b>(1,205)</b>	<b>0</b>	<b>(9,163)</b>
<b>2,820,120</b>	<b>53,793</b>	<b>(9,311)</b>	<b>2,668,468</b>	<b>96,876</b>	<b>(9,163)</b>
<b>2,864,602</b>			<b>2,756,181</b>		
<b>Grand Total</b>			<b>Grand Total</b>		

## PF Note 24 - Net Gains & Losses on Financial Instruments

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.

2021/22 £000		2022/23 £000
	<b>Financial Assets</b>	
142,074	Fair value through profit and loss	(86,194)
287	Amortised cost - Realised gain on derecognition of assets	114
	Amortised cost - Unrealised gain	
<b>142,361</b>		<b>(86,080)</b>
	<b>Financial Liabilities</b>	
(33,356)	Fair value through profit and loss	(54,031)
(48)	Amortised cost - Realised gain on derecognition of assets	0
	Amortised cost - Unrealised gain	
<b>(33,404)</b>		<b>(54,031)</b>
<b>108,957</b>	<b>Net Gain/(Loss) on Financial Instruments</b>	<b>(140,111)</b>

## PF Note 25 - 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). 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.

The Fund advisors consider asset volatility and a range of potential market movements when setting the Investment Strategy and asset allocations. This includes assessing the overall volatility for any proposed asset allocations taking into account any correlation (positive and negative) between asset classes when ensuring the proposals are within the Fund's appetite for risk and the trade-off between risk and the return required to achieve full funding as assessed in the triennial valuation. This is reviewed at least every 3 years (after valuation) and more frequently if Members have concerns.

The Fund does not hold any fully passive investments but does invest in passive like global equity and bond funds (£774.4m or 28.1% of investments at 31<sup>st</sup> March) and has accepted the market risk required for passive like investment.

All other assets are actively managed. Active manager will be evaluating and managing risk as part of their investment decision making processes. This will include the risks related to recent market volatility and a rising interest rate and inflationary environment. Fund managers will have access to wider information sources and professional expertise than officers and while officers will ensure they understand and challenge the processes used by fund managers in their investment decisions, they will not be over-ridden.

All investment assets are carried at fair value and fund managers undertake this valuation at least quarterly so year-end values will include any known impairment or gain and the impact of market sentiment on pricing.

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, and reviewed regularly to ensure they reflect changes in activity and 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, asset classes and manager styles. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of the Fund's assets, looking at overall returns against the actuarial assumptions and the Fund's own appetite for risk and volatility. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

### 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 factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. 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 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value at 31st March 2022	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Fixed Interest Gilts	6,975	7.2%	7,477	6,473
UK Index-Linked Gilts	38,361	9.6%	42,043	34,678
UK Non-Government Bonds	223,136	7.1%	238,978	207,293
Overseas Bonds	36,117	8.3%	39,116	33,119
Multi-Asset Credit	330,327	10.7%	365,672	294,982
UK Equities	67,553	16.7%	78,833	56,272
Overseas Equities	1,652,274	18.2%	1,952,988	1,351,560
Pooled Property Investments	184,660	14.1%	210,697	158,624
Private Debt	131,057	12.2%	147,046	115,069
Infrastructure	161,572	15.0%	185,808	137,337
<b>Total Assets Invested excluding derivatives, other investments and cash</b>	<b>2,832,032</b>		<b>3,268,658</b>	<b>2,395,407</b>

Asset type	Value at 31st March 2023	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Fixed Interest Gilts	4,088	7.6%	4,399	3,777
UK Index-Linked Gilts	0	0.0%	0	0
UK Non-Government Bonds	217,125	7.5%	233,408	200,841
Overseas Bonds	30,539	8.6%	33,166	27,913
Multi-Asset Credit	285,390	10.9%	316,498	254,282
UK Equities	0	0.0%	0	0
Overseas Equities	1,555,450	18.1%	1,836,986	1,273,914
Pooled Property Investments	156,097	14.0%	177,951	134,244
Private Debt	195,366	13.0%	220,764	169,969
Infrastructure	207,047	15.4%	238,932	175,163
<b>Total Assets Invested excluding derivatives, other investments and cash</b>	<b>2,651,102</b>		<b>3,062,104</b>	<b>2,240,103</b>

### 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 2023 and 31 March 2022 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. Interest rates are not currently expected to move more than 100 basis points (1%) from one year to the next and experience suggests that such movements are unlikely.

The analysis below 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. An 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.

Asset Type	Asset Value 31st March 2022	Impact of 1%	
	£000	Increase £000	Decrease £000
Cash and Cash Equivalents	60,703	607	(607)
Bonds	219,195	2,192	(2,192)
Fixed Income Pooled Funds	415,721	4,157	(4,157)
<b>Total</b>	<b>695,619</b>	<b>6,956</b>	<b>(6,956)</b>

Asset Type	Asset Value 31st March 2023	Duration	Impact of 1%	
	£000		Increase £000	Decrease £000
Cash	94,163	n/a	n/a	n/a
UK Fixed Interest Gilts	4,088	9.2	(376)	376
UK Non-Government Bonds	217,125	5.8	(12,593)	12,593
Overseas Bonds	30,539	6.9	(2,107)	2,107
Multi-Asset Credit	285,390	1.0	(2,854)	2,854
<b>Total</b>	<b>631,305</b>		<b>(17,930)</b>	<b>17,930</b>

This disclosure has been expanded to include more detailed analysis as the significant recent volatility in interest rates due to the geopolitical environment suggests that more information should be shown on this risk. It is impracticable to undertake this exercise for prior year comparatives.

For bonds and similar investments, the duration needs to be applied to calculate the impact of rate changes on fixed rate investments based on time to maturity and the fixed rate.

Asset Type	Interest Receivable		Impact of 1%	
	2021/22		Increase	Decrease
	£000		£000	£000
Cash and Cash Equivalents	(16)		0	0
Bonds - UK index linked	(143)		(1)	1
Private Debt	(6,903)		(69)	69
<b>Total</b>	<b>(7,062)</b>		<b>(70)</b>	<b>70</b>

Asset Type	Interest Receivable		Impact of 1%	
	2022/23		Increase	Decrease
	£000		£000	£000
Cash and Cash Equivalents	(1,440)		(14)	14
Bonds - UK index linked	(116)		(1)	1
Private Debt	(10,874)		(109)	109
<b>Total</b>	<b>(12,430)</b>		<b>(124)</b>	<b>124</b>

While the fair value of fixed interest investments will change as changes in interest rates make the fixed rate return more or less attractive to investors, the interest receivable will not change. These are therefore excluded from the second set of tables.

Private debt is included as while carrying value will not change directly with interest rate changes, the debt is variable rate and so income will change.

### 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:

	Asset Value at 31st March 2022	Potential Market Movement	Value on Increase	Value on Decrease
Assets Exposed to Currency Risk	£000	(+/-)	£000	£000
Overseas Bonds	36,117	10.0%	39,729	32,505
Overseas Equities *	1,652,273	10.0%	1,817,500	1,487,046
Overseas Infrastructure	161,572	10.0%	177,729	145,415
Overseas Private Debt	131,057	10.0%	144,163	117,951
<b>Total</b>	<b>1,981,019</b>		<b>2,179,121</b>	<b>1,782,917</b>



	Asset Value at 31st March 2023	Potential Market Movement	Value on Increase	Value on Decrease
Assets Exposed to Currency Risk	£000	(+/-)	£000	£000
Overseas Bonds	30,539	10.0%	33,593	27,485
Overseas Equities	1,555,450	10.0%	1,710,995	1,399,905
Overseas Infrastructure	207,047	10.0%	227,752	186,342
Overseas Private Debt	195,366	10.0%	214,903	175,829
<b>Total</b>	<b>1,988,402</b>		<b>2,187,243</b>	<b>1,789,561</b>

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. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

The Fund has also set a limit of 15% of the total investments to be placed in any one active investment (with LCIV sub funds defined as an investment for this risk control purpose). The Fund has a limit of 25% of total investments with any single manager (with LCIV sub funds defined as a manager for this purpose).

The Fund explicitly accepts credit risk in some of its investment classes, most notably the use of high yield bonds in Multi Asset Credit funds and the Private Debt class. This risk is mitigated by use of a pooled investment vehicle, due diligence by the manager and exposure limits within each pooled vehicle.

The Fund has a 1% allocation to cash in its Investment Strategy (with a tolerance range of 0.5-3% to allow for market movements and cash flow peaks and troughs). The majority of this is held in the custodian's AAA rated money market fund, which has its own policies to ensure diversification and achieve LVNAV and AAA status. A working balance is held in the Fund's bank (NatWest) which benefits from significant government ownership. Cash balances are also held by some managers for liquidity purposes, and these are not material.

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

Balances at 31st March 2022		Credit Rating	Balances at 31st March 2023
£000			£000
	<b>Money Market Funds</b>		
50,690	NTGI Global Cash Fund	AAA	90,572
	<b>Bank Deposit Accounts</b>		
5	Variation margin		1,925
	<b>Bank Current Accounts</b>		
10,008	Held with the Fund's Bank	F1	1,666
<b>60,703</b>	<b>Total Cash Held</b>		<b>94,163</b>

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 monthly contributions due at 31 March 2023 and 31 March 2022 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.

Eight 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 and one has given a charge on a property as security for a deferred cessation payment. These guarantees are drawn in favour of the 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 2022/23 or 2021/22.

### **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 negative on dealings with members but positive taking into account 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 and a Money Market Fund with its custodian, both 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
- having an overdraft facility with its bank

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 2023 the value of illiquid assets represented £558.5m, 20.3% of the total fund value (at 31 March 2022 this was £447.3m or 16.7% of the total fund).

### **Refinancing risk**

The key risk is that the Fund will need to replenish a significant proportion of its financial 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.

### **PF Note 26 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 2022 although as the valuation work was completed during the year once 31 March data became available, the contributions paid were those set in the 2019 valuation.

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.

Using the agreed assumptions, the Fund had assets sufficient to cover 116% of the accrued liabilities as at 31 March 2022. This shows an improvement since the 2019 valuation where the funding level was 105%.

The Fund has achieved solvency based on current conditions at that date with some margin for adverse change. This overall position does not apply equally to all employers within the Fund with those who joined the Wandsworth Fund when the Richmond Fund was subsumed (1 October 2016) being generally less well funded and therefore requiring deficit payments.

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 2022 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.

The average employer's primary contribution rate across the Fund was :

<b>Year</b>	<b>Rate</b>
2017/18	18.0%
2018/19	18.0%
2019/20	18.0%
2020/21	19.6%
2021/22	19.6%
2022/23	19.6%

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:

<b>31st March 2019</b>		<b>31st March 2022</b>	
<b>% p.a.</b>	<b>Assumptions as at</b>	<b>% p.a.</b>	
3.6%	Salary Increases	3.9%	
2.6%	Pensions Increases (CPI)	2.9%	
4.5%	Discount Rate / Return	4.4%	

### **Demographic assumptions**

The assumed life expectancy from age 65 is as follows:

<b>31st March 2019</b>	<b>Life Expectancy from age 65</b>	<b>31st March 2022</b>
	Retiring Today:	
21.7 years	- Male	21.0 years
24.3 years	- Female	23.5 years
	Retiring in 20 year :	
23.1 years	- Male	22.3 years
25.8 years	- Female	24.9 years

Mortality assumptions use 2021 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.25% p.a. with 7.0 smoothing parameter and no initial addition to improvements.

### Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum.

### 50:50 option

Take up of 50:50 is based on historic member data.

### PF Note 27 - 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 Note 27). The actuary has also valued ill health and death benefits in line with IAS 19.

The guidance on implementation of the McCloud ruling used for 2021/22 is close enough to the assumptions used in the prior year to make the figures comparable.

31 March 2022 £000		31 March 2023 £000
(3,421,408)	Present value of promised retirement benefits	(2,291,412)
2,874,610	Fair value of scheme assets (bid value)	2,757,847
<b>(546,798)</b>	<b>Net Asset / (Liability)</b>	<b>466,435</b>

The March 2023 figures above are based on employee data collected during the 2022 triennial valuation as opposed to March 2022 figures which were based on 2019 valuation employee details rolled forward. The impact of this update is seen in the Experience gain/(loss) on defined benefit obligations below which is significantly higher for 2022/23 than 2021/22:

31 March 2022 £000		31 March 2023 £000
<b>(686,064)</b>	<b>Opening Net Asset / (Liability)</b>	<b>(546,798)</b>
(138,668)	Current service cost	(128,588)
(1,177)	Past service costs including curtailments	(951)
94,380	Return on assets less interest	(179,279)
(67,893)	Interest cost	(88,102)
157,278	Change in financial assumptions	1,334,436
0	Change in demographic assumptions	158,786
(8,723)	Experience gain/(loss) on defined benefit obligations	(212,791)
54,597	Interest on assets	74,603
(1,804)	Administration expenses	(1,470)
51,276	Contributions by employer	56,589
<b>(546,798)</b>	<b>Closing Net Asset / (Liability)</b>	<b>466,435</b>

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 27) because IAS 19

stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2022		31 March 2023
	% p.a.	% p.a.
2.60	Discount rate	4.80
3.20	Inflation / pension increase rate assumption	2.95
4.20	Salary increase	3.95

31 March 2022	Life expectancy from age 65 (years)	31 March 2023
	<b>Retiring Today:</b>	
21.6	- Male	21.1
24.3	- Female	23.5
	<b>Retiring in 20 years :</b>	
23.0	- Male	22.3
25.8	- Female	25.0

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 £35.2m
- a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £2.1m
- a one-year increase in assumed life expectancy would increase the liability by approximately £90.8m.

## PF Note 28 - Long Term Debtors

31st March 2022		31st March 2023
£000		£000
	<b>Long Term Debtors</b>	
1,103	Opening Balance	1,520
489	Lifetime tax allowance paid in year	1,352
(72)	Recovery from pension in year	(133)
<b>1,520</b>		<b>2,739</b>

## PF Note 29 - Current Assets & Liabilities

Balance at 31st March 2022		Balance at 31st March 2023
£000		£000
<b>10,008</b>	<b>Current Assets</b>	
	Cash at Bank	<b>1,666</b>
1,328	Contributions Due	1,528
224	Contributions Due from Richmond & Wandsworth	270
189	VAT recovery due	415
91	Overpaid Pensions	151
50	Sundry Debtors	50
<b>1,882</b>		<b>2,414</b>
	<b>Current Liabilities</b>	
(84)	Unpaid Benefits	(17)
(87)	Fund Managers' fees	(175)
(1,249)	Amount Due to Richmond & Wandsworth	(908)
(821)	Amount Due to HMRC	(899)
(66)	Pensions Due to Estate of deceased pensioner	(73)
(398)	Sundry Creditors	(583)
<b>(2,705)</b>		<b>(2,655)</b>

## PF Note 30 - Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions. AVCs are entirely separate from the Fund Accounts but are reported here in a note in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions Paid 2021/22	Market Value 31st March 2022		Contributions Paid 2022/23	Market Value 31st March 2023	
£000	£000	Provider	£000	£000	
20	723	Clerical Medical	18	550	
0	604	Utmost	0	505	
247	2,916	Prudential *	tba	tba	
<b>267</b>	<b>4,243</b>		<b>tba</b>	<b>tba</b>	

\* Prudential market value includes potential final bonus, although this is not guaranteed.

Prudential have not provided final reports for the year ended 31<sup>st</sup> March 2023 at the time of publication. This note will be amended once reports are received.

## PF Note 31 - 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. These payments all relate to historic decisions. New discretionary awards are funded by capitalised strain costs paid by the employer at the point of award and the number and value of these payments should therefore decline over time.

The amount paid on behalf of LB Richmond for 2022/23 was £0.841m (£0.818m in 2021/22), with payments on behalf of other employers totalling £219k in 2022/23 (£137k in 2021/22).

## PF Note 32 - Related Party Transactions

### Governance (Control of the Fund)

In 2016/17 the London Borough of Richmond upon Thames (RuT) 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 six members appointed by WBC and three members by RuT. Of the nine members serving on the Committee at year end, three members had 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 during the year, Richard Perry, John Deakins, Peter Quirk and Collette Carter were active members and Chris Jones and Hilary Galloway were pensioners in the Fund during 2022/23.

### 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:

- Mrs F Merry (Executive Director of Finance)
- Mr P Guilliotti (Director of Financial Services)
- Mr M Doyle (Head of Pensions Shared Service)
- Ms C Baxter (Head of Pension Fund Accounting & Investment)

They are all active members of the LGPS as SSA employees. The SSA is also the single largest employer of active 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 and governance of the Fund, and with the Councils as employers in the Fund.

The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in Note 12.

This includes an element of the salary of the Executive Director of Finance. Their total remuneration is disclosed in the administering authority's accounts due to their role, and this amount is also shown below. As part of their role relates to the management of the Fund, the appropriate proportion of this is included in the administration charges to the Fund (see Note 12).

2022/23	Salary (including fees and allowances)	Employers pension contribution	Remuneration including pension contributions
Director of Finance - F. Merry	113,062	20,351	133,413

This post was renamed in March 23 to reflect a change in focus of the role. The responsibilities for Finance in general and the Pension Fund in particular remain substantively the same.

2021/22	Salary (including fees and allowances)	Employers pension contribution	Remuneration including pension contributions
Director of Resources - F. Merry	109,535	19,716	129,251

The Fund is controlled by Joint Pensions committee which has membership from both councils. The employer's contributions made by both councils and the SSA in year are as follows:

2022/23	WBC	RuT	SSA
Employer's contributions	£000	£000	£000
- Normal	7,662	5,044	26,725
- Deficit	(625)	2,061	(1,800)
- Augmentation (Strain costs)	32	71	760
<b>Total</b>	<b>7,069</b>	<b>7,176</b>	<b>25,685</b>

2021/22	WBC	RuT	SSA
Employer's contributions	£000	£000	£000
- Normal	7,105	4,836	24,667
- Deficit	(580)	2,042	(1,661)
- Augmentation (Strain costs)	218	182	655
<b>Total</b>	<b>6,743</b>	<b>7,060</b>	<b>23,661</b>

Due to the strong relationship between the Council and the Pension Fund, it is deemed necessary to declare Councillor Govindia's interest as non-executive director of the London CIV. The Fund's investments via the LCIV pool are disclosed in PF Note 16. Under LGPS regulations, the Fund is required to invest via an available regional pool where such exists and offers investments in line with the Fund's investment strategy.

### PF Note 33 - 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 includes the cost of officers and is disclosed in Note 12 above.

### PF Note 34 - Contingent Liabilities and Contractual Commitments

#### Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were \$191m (£154m) compared to US \$297m (£226m) at 31 March 2022. The figure for March 2023 includes \$95m or £80m committed to energy transition Infrastructure funds as reported to Joint Pensions Committee 16 March 2023. 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 timing starting from the date of each original commitment until the funds are fully subscribed.

#### Contingent Liabilities

Eight 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, which is currently minimal due to improved funding levels at the 2022 valuation. 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 2022/23 or 2021/22.

### **PF Note 35 - Accounting Standards Issued but Not Adopted**

The Code introduces changes in Accounting Policies which will need to be adopted fully in the 2022/23 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

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

- IFRS 16 Leases – this standard is not required until 2024 and the Fund does not hold any qualifying leases.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021. This clarifies the difference between accounting policies and accounting estimates.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021. This confirms that materiality applies in disclosing accounting policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021 – this is not applicable as the Pension Fund does not have group accounts.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020 – amendments do not significantly change requirements but include necessary updated references to the latest versions of other standards.

## Independent Auditor's Report to the Members of Wandsworth Pension Fund

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the Wandsworth Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 35.

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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

#### **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 Council as administering authority for 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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period up to 31 March 2026, which is more than 12 months from when the Fund's financial statements are authorised for issue.

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

## **Other information**

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Executive Director of Finance is responsible for the other information contained within the Statement of Accounts 2022/23.

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

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

We have nothing to report in this regard.

## **Matters on which we report by exception**

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

## **Responsibility of the Executive Director of Finance**

As explained more fully in the Statement of Responsibilities of the Executive Director of Finance set out on page 9, the Executive Director of Finance is responsible for the preparation of the Council'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 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Finance is also responsible for such internal control as the Executive Director of Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance is responsible for assessing the 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 Administering Authority either intends to cease operations, or has 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.

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

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

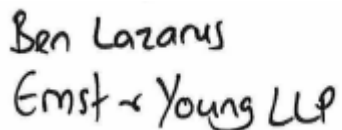
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk in relation to risk of manipulation of investment income, we tested the consistency of the investment asset income from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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 (as amended) 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 Wandsworth Borough Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.



Ben Lazarus  
Ernst & Young LLP

Ben Lazarus (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
London  
06 December 2024

## Annual Governance Statement 2022/23

### ANNUAL GOVERNANCE STATEMENT 2022/23

#### 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 regularly 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 Finance (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 Finance 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 Monitoring Officer, in addition to providing high level legal advice, is also a member of the Governance Board for the South London Legal Partnership ensuring that the support provided remains fit for purpose.

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

The Council's Anti-Money Laundering and Anti-Bribery policies, linked to the Whistleblowing Policy and Procedure, were reviewed in October 2021 to ensure that they remain 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 remains committed to effective and transparent annual financial and service planning and robust performance management - features independently recognised as being amongst the best of any authority in the country. As such, the key components of the Corporate Business Plan (CBP), including key objectives and a medium-term financial strategy (MTFS) remain integral to the business planning process in Wandsworth and are subject to regular scrutiny. Key objectives and the MTFS were recommended for approval by the Finance Overview and Scrutiny Committee on the 1<sup>st</sup> of December 2022 and 29<sup>th</sup> of September 2022, respectively, with the Executive approving both on the 5<sup>th</sup> of December 2022 and 10<sup>th</sup> of October 2022, respectively.

The Corporate Plan 2022 to 2026 is published on the Council's website and provides links to the various elements that make up the whole. This ensures that all residents, service users, partners

and businesses continue to know how the Council is performing and can monitor successes or otherwise. The Corporate Plan is available using the following link:

[Corporate Plan 2022 to 2026 - Wandsworth Borough Council](#)

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 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 where appropriate, other methods are frequently used alongside online consultation, such as face-to-face, telephone and paper forms, thereby ensuring that the widest range of the community is engaged on issues. The Council has a commitment to holding open meetings and committee reports, agendas and minutes are published on the internet. All Committee, Executive, Full Council and Licensing Panel Hearings are streamed, and the webcasts are available to watch on the Council's website for six months, after which they are archived.

**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 marketplace 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 topline 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 topline measure performance across a wide range of Council activity including adult and children's social services, education, housing, leisure services, libraries, and street cleansing.

During 2022/23, Directors' Board and Lead Members agreed the following changes to strengthen and update the Performance Management Framework. The changes were a development of a streamlined set of directional and benchmarkable Corporate Plan KPIs aligned with the administration's priority commitments and objectives. This approach enables more focused and in depth scrutiny of key areas of service performance at Committees. Also, a new set of Business Critical KPIs were developed purely for reporting to Directors' Board and Lead Members. This set provides them with a line of sight on performance which does not directly relate to the Council's



priorities, but which nonetheless has an important impact of maintaining high levels of performance and resident satisfaction. They include timeliness, quality and responsiveness metrics which provide an early warning system about emerging issues and an opportunity to monitor actions implemented in response to performance issues. Reporting these two sets of KPIs to Directors' Board and Lead Members is quarterly with the streamlined Corporate Plan KPIs to Committees bi-annually at the important mid-year (Quarter 2) and end-year (Quarter 4) stages.

In 2019 the Council declared a Climate Emergency, setting a target to be a carbon neutral organisation by 2030 and zero-carbon by 2050. In November 2022, Wandsworth adopted a new net zero borough target of 2043 and during 2022, the Council delivered on key actions in the Climate Action Plan and expanded its engagement and partnership working on climate change.

Social value is embedded into the Council procurement process and Officers consider social value before the commencement of any procurement in order to determine the best procurement approach and to inform the design of the services required. Measurement and outcomes of contracts can include environmental metrics and KPIs.

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. This is a challenging endeavour that will have far reaching implications across the Council's operations.

At the end of 2022/23, service planning at a team level was introduced which should strengthen the achievement of service areas objectives and ensure they are aligned to the Council's corporate objectives.

**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 behaviour 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 process which is within the Constitution. The Council also adopted the Local Government Association's Model Code of Conduct in October 2021 to take effect from the start of the municipal year in May 2022. 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 April 2022) sets out clear and distinct rules in relation to the giving and receiving of gifts and hospitality. The Members' Code is included in the Council's Constitution. Following the local elections in May 2022, training on the Members' Code of Conduct was provided to all Members.

The local elections in May 2022 saw a change in administration at Wandsworth and there have been changes to the membership of the Council Committees with a number of new members who

would need to gain experience. Also, a new Chief Executive joined the council, which could result in turnover of other key posts, a change in culture or lead to modification of governance arrangements. Whilst much of this could be positive in strengthening the existing framework of governance, there are risks to the contrary that will need to be acknowledged, monitored, and managed accordingly.

Paper No. 22-71 in February 2022 outlined CIPFA's new Financial Management Code based on six principles – leadership, accountability, transparency, standards, assurance, and sustainability. That report concluded that the Council met all 17 standards, and this has been similarly confirmed for the current financial year.

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 offers a full range of management and leadership training, for staff wishing to prepare themselves for future management roles through to senior leaders. There is a New and Aspiring Managers' Programme for those who wish to further develop their skills and knowledge to progress their careers and a Pan London Emerging Leaders Programme for managers, leading to an Institute of Leadership and Management qualification.

**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.

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.

The Recover, Deliver, Evolve (RDE) Programme ran from November 2021 to October 2022, when it was 'paused' pending a review of the organisation's new priorities and needs. The RDE Programme's three overarching objectives were securing public health and economic recovery (Recover), ensuring priority projects are delivered on time, to budget and to the required standard (Deliver), and ensuring the Council's services, workforce and estate are fit for the future and affordable (Evolve). It was overseen by a Programme Board that met every 4-6 weeks and provided an update to Directors' Board following every meeting. A new Change Programme has been in development since December 2022, and this will continue some of the work that the RDE Programme initiated with the three overarching objectives of the programme being to; Enable delivery of the political priorities for each Council; Successfully navigate the financial challenges facing each Council; and Ensure we attract and retain the workforce needed to deliver excellent services to residents.

The Council participated in a Local Government Association Corporate Peer Challenge (CPC) in February 2023. The review functions as an improvement tool to help councils identify their

strengths, areas of focus and improvement. The challenge covers five core themes; Local priorities and outcomes, Organisational and place leadership, Governance, and culture, Financial planning and management and Capacity for improvement. The CPC report will be published later in 2023 and will set out peer findings and commitments to improvement.

**Implementing good practices in transparency, reporting, and audit to deliver effective accountability.** The Council has operated as a Shared Staffing Arrangement with Richmond Council since 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. This arrangement has enabled both organisations to realise savings whilst preserving front line services and to pool experience and skills from across two organisations which has contributed to the development of both.

The Council's main partnerships include Audit and Fraud, Regulatory Services, 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.

The Council's Climate Change Steering group, consisting of senior Council officers at Assistant Director level and Heads of Service, is responsible for overseeing the direction and driving the performance of Climate Change and sustainability. The group acts a programme management board for the delivery of identified key areas of the action and takes the lead role in facilitating and enabling delivery, clearing roadblocks to development and delivery of projects and approaches.

The Council is committed to achieving value form money for its residents. All budget managers are responsible for the costs charged to their service area and must at all times strive to deliver value for money. The Council's Procurement Regulations set out rules and processes that Officers must follow to help ensure that procurement activity secures value for money and offer best value for services to the public.

In response to a number of high profile public interest reports, an audit was undertaken to strength test the organisation against a set of indicators based on key themes from those reports. A report was submitted to the Audit Committee in November 2022 providing a summary of the findings of this review. Whilst the audit concluded that there were no significant areas of concern, a number of recommendations were made to improve governance arrangements further. These included recommendations which would help to improve the effectiveness of the Audit Committee, one of which was to have two independent members.

## **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.

After the financial year ends on 31 March, the Council’s accounts are normally completed in May before they are audited and published by the end of July in line with regulations. Since Coronavirus, the 2019/20 and 2020/21 accounts deadlines were revised. Similarly, for the 2021/22 Accounts, the Accounts and Audit (Amendment) Regulations 2022 continued to revise dates to completion by 31 July 2022 and for the external audit to be completed by 30 November 2022. The Council’s draft accounts were published ahead of the deadline and the external audit commenced shortly after on the 4 July 2022. At the time of the Audit Committee in November 2022 the

accounts were largely complete however, further work was required by EY at that point. This delay mirrored the national picture where only 12% of audits met the statutory deadline due to auditor resourcing issues and due to audit firms seeking clarification on the treatment of the valuation of infrastructure assets which was raised in March 2022 as a national point of concern.

**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 high with small numbers of complaints annually in the last decade. During 2022/23 a number of complaints were dealt with by the Council's Monitoring Officer using the agreed process. Each with full consultation with the Independent Persons. The summary outcome of any these admissible complaints were reported in full for information to the Standards Committee in January 2023. No complaints were received during the year that required formal investigation and consideration by the Standards Committee to determine next steps. The Council adopted the LGA model Code of Conduct for Members in 2021 has a local Code of Conduct for Members. As part of its remit the Standards Committee continues to consider whether the Code of Conduct remains relevant. which is reviewed regularly. The Council retains a stand-alone Standards Committee.

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

**The Council's Monitoring Officer.** 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:

<https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=311&MId=8570&Ver=4> 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 2022/23, there was one Limited Assurance audit and one No Assurance related to Residential Management Organisations (RMOs). This is a decrease from previous years related to engaging with Housing officers more and issuing advisory reports where we feel improvements can be made on the performance monitoring of RMOs. One RMO was issued a Supervision Notice by Housing in April 2022, but due to no improvement in their service provision a Notice to end the Modular Management Agreement (MMA) has now been issued and full management of the RMO will return to the Council on 1 August 2023. The audit on this RMO in May 2022 only provided limited assurance and failure to implement the actions identified contributed to the decision to issue a Notice to end the MMA.

6 of the 19 Schools audits completed during the year had Limited Assurance opinions awarded. 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 higher than average breach of controls.

### **(b) Information & Cyber Security**

The impact of a significant cyber security attack upon service delivery are so severe that it is one of the highest risk threats to any organisation. The challenges to delivering effective information and data security management require constant review especially with increased automation and the increased use of data to assist with service delivery and with changed working models where officers now regularly working in a more agile way across different sites, including from home. In addition to service disruption, failure to ensure that effective and up to date data control arrangements exist and mandatory training on handling data are sufficient 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. With the constant development in IT systems and capability, the risk of an information security incident is constantly changing so we must constantly ensure that our response keeps pace.

Systems and data handling control processes are regularly reviewed, both internally and by an external assessor, to ensure that they are compliant with UK General Data Protection Regulations (GDPR), and Data Protection Act (DPA) requirements and the SSA continues to retain the ISO27001 Certification across both Richmond and Wandsworth Councils. These requirements apply to all personal data sets used by the Council whether directly or through the engagement of third party/contracted data processors with the Council's ability to ensure lawful processing is exercised by third party/contracted data processors is applied through a combination of robust procurement controls and by service leads through contract management. The Councils' cyber security arrangements are constantly evolving to combat these risks. Alongside an experienced in-house team with specific responsibilities for cyber security there are contracts in place for

prevention support and incident management with external specialists who review systems integrity and conduct ethical hacks to assess the robustness of controls in place. The mandatory cyber and information security awareness training for all officers has been reviewed with an updated training package rolled out during 2022/23. Robust arrangements have been established to ensure that security incidents are effectively and promptly addressed, seeking advice from the ICO and legal when necessary.

### **(c) Knowledge Management and Agile Working**

The Chief Executive, Section 151 and Director of Adult Social Care and Public Health posts were made permanent during 2022/23, but there were still a number of posts with interims sitting at Assistant Director level. This has reduced the risk of loss of knowledge at a senior level. However, staff turnover in 2022/23 was higher than in 2021/22 and this has put pressure on managers through loss of staff knowledge and time spent on inducting new employees. Exit interviews have not provided any strong negative reasons and high staff turnover is common across other London boroughs. The Council also has an aging workforce with many close to retirement and with difficulties in filling vacancies this will add further pressure on managers. These trends were reported to the Joint Staffing Committee in November 2022 and Human Resources are working with chief officers on succession planning.

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

Agile working and remote working practices continue to be developed across Departments and a significant number of staff worked off site during the year thus distributing the pool of collective knowledge further. It will be critical to retain knowledge sharing and corporate memory regardless as to where officers are located and address the challenges of transferring knowledge whilst working remotely.

A staff survey was carried out in December 2022 with a commitment from chief officers and senior management to act on the results. The aim is to increase staff morale and focus on people's concerns to improve retention of staff.

### **(d) Contract Management**

The Council continues to utilise external parties to provide its services where they provide effective and economic benefits to do so. However, unsatisfactory service delivery through partners and contractors could put services to residents and clients at risk so there is a need to ensure that effective contract monitoring arrangements are in place.

The Recover, Deliver, Evolve Programme had a Procurement & Spend Workstream with the aim to transform the Council's approach to procurement to deliver added value including value for money. The scope of this workstream was to identify errors/duplicate payments, non-compliance with procurement regulations and potential opportunities for savings from better procurement. £120k cashable savings from duplicated invoice payments has been achieved. We will not continue with manual analysis due to the officer time required. However, as part of a broader restructure within procurement, supported by embracing new digital technology and other innovations via a wider suite of software linked to procurement, spend and contract management, and spend analysis will be automated from November 2023.

The Assistant Director of Resources (Financial Services) submitted a paper to Directors Board in March 2023, which set out a Contract and Supplier Management Framework and Policy for the SSA which was agreed in principle by Directors Board. This will be supported by an investment in

a software solution which will allow contractors to provide core contract management data directly to the contract owners, with high level oversight provided by a new Contract Management HUB based in Procurement. Directorates will continue to be responsible and accountable for the management of their own contracts. The new Contract and Supplier Management Framework and Policy is expected to be rolled out to Directorates between June and November 2023, with the software solution following in early 2024.

### **(e) Facilities Management**

In 2019/20 a No Assurance audit report was issued, and Facilities Management (FM) were given time to implement and embed new systems and procedures to improve the control environment. A substantial amount of work was undertaken subsequent to this review to establish more robust procedures, underpinned by a programme of training, and overseen by the new Head of Facilities Management. However, a number of whistleblowing referrals were received during 2021/22 which suggested that not all of the new systems and procedures had fully embedded, and this delayed the follow up review. Fieldwork for the follow up of the 2019/20 audit has now been completed and the Audit team is working through the findings and recommendations with the FM management team.

### **(f) Major Projects/Project Management**

The Recovery, Evolve and Delivery Programme identified some areas for improvement which are aligned to previous internal audit recommendations. The two regeneration schemes and the 1000 Homes Programme are major projects and the risks associated with such large projects are significant and proper governance arrangements and risk management arrangements must be in place. A detailed risk register that is monitored and actively managed. A Project Board should be set up to ensure that key milestones are delivered and / or explanations are given when performance is below expectation.

### **(g) Pupil Population Projections and Implications**

School funding is driven by pupil numbers, the more pupils a school has on roll, the more funding it receives. Unused or vacant school places create an immediate cost for schools through reduced budgets, which means: less money for staff, resources, and equipment; less money to pay bills and to carry out maintenance work; and less money for extracurricular activities. This, together with the effect of the current cost of living conditions; resulting in increases in the cost of energy and materials leaves schools in a challenging financial position which, without effective management could result in poorer outcomes for children.

The demand for school places in Wandsworth, as across London, has been in decline since 2018. Contributing factors include; primary a fall in birth rate, the uncertainty brought about by Brexit causing some families to leave the UK / reduced immigration, more recently Covid 19 has resulted in families moving outside of London, alongside increasing lack of affordability of housing in the private sector.

Modelling future pupil numbers is challenging however, birth rates are a strong indication of the future and at the moment the 0-5 populations have been in decline for a decade and are not expected to bottom out until 2030. The decline in numbers of births is likely to drive the reduced need for school places for the next 10 years or more.

Wandsworth has successfully implemented a strategy of reducing the numbers of forms of entry for schools over the last few years however, much of the excess capacity in the school system has now been removed. Schools with 1 form of entry cannot go to zero forms but they can federate, merge and/or find other ways to share resources. All these strategies have been applied in in Wandsworth and will continue to be required into the future.



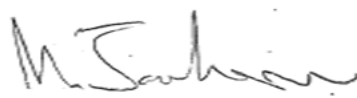
**(h) Cost of Living**

In September 2022, the Council committed £5m of new money, funded from the Council's own reserves, to support substantial and immediate steps to support residents, communities, and business through the cost of living crisis. Governance has been set up in respect of the £5m reserve, which includes a Cost of Living Board which oversees the programme at a strategic level and a Programme Working Group which oversees the delivery of a number of workstreams. Regular reports are made to the Leader and Finance Committee. The aim is to maximise outcomes and value for money and to ensure appropriate due diligence on new projects/actions. The Council is responsible for administering a number of funding streams from central government, including the Household Support Fund and the Council must ensure that it covers a wide range of low-income households in need including families with children of all ages, pensioners, unpaid carers, care leavers and disabled people. The risks associated with allocating funding must be properly managed as well as monitoring take up and effectiveness of services provided via the funding.

There are significant risks with a number of initiatives requiring the Council to react quickly and put in place mechanisms to distribute money to vulnerable residents as quickly as possible to support immediate need. Robust controls need to be in place to ensure that payments are only made where there is an entitlement, and the risk of fraud or error is minimised. One of the key risks is around capacity to deliver. A proposal is going to the Cost of Living Board for additional resources, without which, there is a risk that projects will stall or take longer which is a risk where the nature of the crisis is that Council's need to be able to react quickly. There are also risks around the impact of the Cost of Living crisis such as increase in arrears/debt and work is being undertaken as part of the Cost Of Living programme around how the Council supports financially vulnerable families to improve their financial resilience so that they are better able to pay their debts and on-going liabilities.

**Signed:**


Cllr Hogg  
Leader of the Council



Mike Jackson  
Chief Executive  
On behalf of Wandsworth Council

## 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.

### **INVENTORY (STOCK)**

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

### **INVESTMENTS (PENSION FUND)**

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

### **LIABILITY**

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

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

### **LIQUID RESOURCES**

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

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

### **LONG-TERM CONTRACT**

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

### **MATERIALITY**

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

### **MINIMUM REVENUE PROVISION (MRP)**

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

### **NET BOOK VALUE**

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

## **NET DEBT**

The authority's borrowings less cash and liquid resources.

## **NON-DOMESTIC RATES (NNDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by Government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the authority on behalf of itself, Government and major preceptors.

## **NON-OPERATIONAL ASSETS**

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

## **OPERATING LEASE**

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

## **OPERATIONAL ASSETS**

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

## **PAST SERVICE COST (PENSIONS)**

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

## **PENSION SCHEME LIABILITIES**

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

## **PRECEPT**

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

## **PRIOR YEAR ADJUSTMENT**

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

## **PROVISION**

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

## **PUBLIC WORKS LOAN BOARD (PWLB)**

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

## **RATEABLE VALUE**

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

## **RELATED PARTIES**

Related Parties are defined by IAS 24. For the Council's purposes related parties are deemed to include the authority's Members, the Chief Executive, its Directors and their close family and household members.

## **RELATED PARTY TRANSACTIONS**

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

## **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.