Wandsworth Council

Un-audited Accounts for the year 2022/23

Un-Audited
30 June 2023

www.wandsworth.gov.uk

Contents

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:

Core Statement	Purpose/relationship with other statements
Comprehensive Income and Expenditure Statement	This statement shows the accounting cost in the year of providing services in accordance with the Code, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown both in the Expenditure and Funding Analysis and in the Movement in Reserves Statement.
Movement in Reserves Statement	This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. This statement also shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The increase/decrease (movement) in year line shows the statutory General Fund balance movements in the year following those adjustments.
Balance Sheet	This statement shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
Cash Flow Statement	This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Organisational Overview

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

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

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

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

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

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

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.

Financial Performance

General Fund Revenue Budgets

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

Committee	Revised Budget £000	Actual £000	Variance £000
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
	220,807	**218,418**	**-2,391**
Planned Slippage into 2023/24		1,996	1,996
Total Committee Expenditure	**220,807**	**220,414**	**-394**

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?CId=766&MId=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 £14.7m 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 £7.1m to £206.5m. When considered as a whole earmarked reserves have increased by £18.1m during the year from £257.7m to £275.8m.

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 2022/23 £'000	Expenditure 2022/23 £'000	Variance 2022/23 £'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
Total	73,615	37,060	-36,555
Financed by:			
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	
Total	73,615	37,060	

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 £235.4m to a net asset of £355m. 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.

<u>Outlook</u>

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 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 Director of Finance

The 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 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 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
Director of Finance
30 June 2023

Date authorised for issue: This Statement of Accounts is authorised for issue on 30 June 2023 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 £000	**Income £000**	**Net £000**	*Notes*		**Expenditure £000**	**Income £000**	**Net £000**
325,311	(215,201)	110,110		Childrens	337,017	(229,864)	107,153
49,846	(12,223)	37,623		Environment	50,854	(11,365)	39,489
200,338	(179,701)	20,637		Finance	199,970	(158,541)	41,429
146,205	(87,749)	58,456		Health	159,832	(87,213)	72,619
46,643	(33,051)	13,592		Housing	54,263	(35,869)	18,394
138,889	(147,120)	(8,231)		Housing Revenue Account	155,197	(155,725)	(528)
152,726	(155,516)	(2,790)		Transport	70,794	(90,015)	(19,221)
1,059,958	**(830,561)**	**229,397**		**Cost of Services**	**1,027,927**	**(768,592)**	**259,335**
7,480	(21,783)	(14,303)	10	Other Operating Expenditure	66,010	0	66,010
65,504	(73,737)	(8,233)	11	Financing and Investment Income and Expenditure	100,982	(114,305)	(13,323)
0	(275,649)	(275,649)	12	Taxation and Non-Specific Grant Income	0	(270,235)	(270,235)
1,132,942	**(1,201,730)**	**(68,788)**		**Surplus or Deficit on Provision of Services**	**1,194,919**	**(1,153,132)**	**41,787**
		(43,855)	14	Surplus or deficit on revaluation of Property, Plant and Equipment			(120,071)
		(170,619)	44	Remeasurement of the net defined benefit liability / asset			(629,681)
		(214,474)		**Other Comprehensive Income and Expenditure**			**(749,752)**
		(283,262)		**Total Comprehensive Income and Expenditure**			**(707,965)**

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
2,826,924	*14,15*	Property, Plant and Equipment	2,949,599
1,351	*16*	Heritage Assets	1,351
73,303	*17*	Investment Property	70,694
0	*18*	Intangible Assets	0
79,042	*20*	Long-Term Investments	100,438
38,707	*20*	Long-Term Debtors	38,644
3,019,327		**Long Term Assets**	**3,160,726**
494,125	*20*	Short-Term Investments	561,746
1,054	*24*	Assets Held for Sale	1,054
4,540	*19*	Inventories	4,431
167,038	*21*	Short-Term Debtors	134,116
176,669	*23*	Cash and Cash Equivalents	87,742
843,426		**Current Assets**	**789,089**
(17,909)	*20*	Short-Term Borrowing	(17,808)
(181,250)	*25*	Short-Term Creditors	(156,021)
(6,473)	*26*	Provisions	(7,650)
(33,839)	*39*	Grants Receipts in Advance - Revenue	(9,711)
(2,910)	*39*	Grants Receipts in Advance - Capital	(4,218)
(242,381)		**Current Liabilities**	**(195,408)**
(39,582)	*20*	Long-Term Creditors	(39,582)
(6,874)	*26*	Provisions	(6,686)
(34,403)	*20*	Long-Term Borrowing	(17,202)
(235,362)		Other Long-Term Liabilities	354,984
(14,329)	*39*	Grants Receipts in Advance - Revenue	(51,025)
(40,345)	*39*	Grants Receipts in Advance - Capital	(37,453)
(370,895)		**Long Term Liabilities**	**203,036**
3,249,477		**Net Assets**	**3,957,443**
(784,553)	*27*	Usable Reserves	(766,653)
(2,464,924)	*28*	Unusable Reserves	(3,190,790)
(3,249,477)		**Total Reserves**	**(3,957,443)**

Fenella Merry 30 June 2023

Movement in Reserves Statement

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

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2022		**(16,223)**	**(257,703)**	**(147,799)**	**(31,390)**	**(135,033)**	**(196,406)**	**(784,554)**	**(2,464,924)**	**(3,249,478)**
Surplus or deficit on the provision of services	*CIES*	98,111		(56,324)				**41,787**		**41,787**
Other Comprehensive Income / Expenditure	*CIES*								(749,752)	**(749,752)**
Total Comprehensive Income and Expenditure		**98,111**	**0**	**(56,324)**	**0**	**0**	**0**	**41,787**	**(749,752)**	**(707,965)**
Adjustments between accounting basis and funding basis under regulations	*9*	(115,135)		51,140	11,377	32,679	(3,947)	**(23,886)**	23,886	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(17,024)**	**0**	**(5,184)**	**11,377**	**32,679**	**(3,947)**	**17,901**	**(725,866)**	**(707,965)**
Transfers to / from Earmarked Reserves	*13*	18,600	(18,127)	(473)				**0**	0	**0**
Increase or Decrease in 2022-23		**1,576**	**(18,127)**	**(5,657)**	**11,377**	**32,679**	**(3,947)**	**17,901**	**(725,866)**	**(707,965)**
Balance at 31 March 2023		**(14,647)**	**(275,830)**	**(153,456)**	**(20,013)**	**(102,354)**	**(200,353)**	**(766,653)**	**(3,190,790)**	**(3,957,443)**

	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**
Balance at 31 March 2021		**(15,521)**	**(238,305)**	**(139,332)**	**(23,404)**	**(159,515)**	**(151,604)**	**(727,681)**	**(2,238,536)**	**(2,966,217)**
Surplus or deficit on the provision of services	*CIES*	(29,705)		(39,082)				**(68,787)**		**(68,787)**
Other Comprehensive Income / Expenditure	*CIES*								(214,474)	**(214,474)**
Total Comprehensive Income and Expenditure		**(29,705)**	**0**	**(39,082)**	**0**	**0**	**0**	**(68,787)**	**(214,474)**	**(283,261)**
Adjustments between accounting basis and funding basis under regulations	*9*	9,605		30,615	(7,986)	24,482	(44,802)	**11,914**	(11,914)	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(20,100)**	**0**	**(8,467)**	**(7,986)**	**24,482**	**(44,802)**	**(56,873)**	**(226,388)**	**(283,261)**
Transfers to / from Earmarked Reserves	*13*	19,398	(19,398)					**0**	0	**0**
Increase or Decrease in 2021/22		**(702)**	**(19,398)**	**(8,467)**	**(7,986)**	**24,482**	**(44,802)**	**(56,873)**	**(226,388)**	**(283,261)**
Balance at 31 March 2022		**(16,223)**	**(257,703)**	**(147,799)**	**(31,390)**	**(135,033)**	**(196,406)**	**(784,554)**	**(2,464,924)**	**(3,249,478)**

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.

2021-22 £000	Notes		2022-23 £000
(68,787)		Net (surplus) or deficit on the provision of services	41,787
(157,604)		Adjustment to surplus or deficit on the provision of services for noncash movements	(175,330)
125,124		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	84,490
(101,267)	*29*	**Net cash flows from operating activities**	**(49,053)**
94,595	*30*	Net cash flows from investing activities	153,613
(10,875)	*31*	Net cash flows from financing activities	(15,633)
(17,547)		**Net (increase) or decrease in cash and cash equivalents**	**88,927**
159,122		Cash and cash equivalents at the beginning of the reporting period	176,669
176,669		**Cash and cash equivalents at the end of the reporting period**	**87,742**

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 2025 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 30 June 2023. 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 in not material. The current de minimis levels for recognising these assets are:

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

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

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.

<u>Impairment</u>

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

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

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

<u>Depreciation</u>

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.

<u>Shared Staffing Arrangement (SSA) with Richmond Council</u>

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:

<u>Property, Plant and Equipment</u>

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 £106m. However, the assumptions interact in complex ways.

For 2022/23, the Council's Actuary has a reported a change from a net pensions liability to a net asset (£235.4m liability to a £355m 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 Director of Finance on 30 June 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) 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.

Net Committee Expenditure	**Adjustments**	**Net CIES Expenditure**		**Net Committee Expenditure**	**Adjustments**	**Net CIES Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
83,682	26,428	110,110	Childrens	86,182	20,971	107,153
39,265	(1,642)	37,623	Environment	41,717	(2,228)	39,489
(7,469)	28,106	20,637	Finance	(8,942)	50,371	41,429
70,702	(12,246)	58,456	Health	85,498	(12,879)	72,619
10,453	3,139	13,592	Housing	16,680	1,714	18,394
0	(8,231)	(8,231)	Housing Revenue Account	0	(528)	(528)
(1,116)	(1,674)	(2,790)	Transport	(2,717)	(16,504)	(19,221)
195,517	**33,880**	**229,397**	**Net Cost of Services**	**218,418**	**40,917**	**259,335**
(196,219)	(101,967)	(298,185)	Other Income and Expenditure	(216,843)	(705)	(217,548)
(702)	**(68,087)**	**(68,788)**	**Surplus or Deficit on Provision of Services**	**1,575**	**40,212**	**41,787**
(393,158)			Opening Combined General Fund Balance	(421,725)		
(702)			Plus / less Surplus or Deficit on the General Fund	1,575		
(8,467)			Plus / less Surplus or Deficit on the Housing Revenue Account	(5,657)		
(19,398)			Plus / less movements to or from earmarked reserves	(18,127)		
(421,725)			**Total Combined General Fund Balance**	**(443,934)**		

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

2022-23	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Childrens	(1,725)	17,258	5,438	20,971
Environment	(286)	728	(2,670)	(2,228)
Finance	1,968	14,823	33,580	50,371
Health	275	3,280	(16,434)	(12,879)
Housing	0	1,169	545	1,714
Housing Revenue Account	21,352	5,268	(27,148)	(528)
Transport	364	1,510	(18,378)	(16,504)
Net Cost of Services	**21,948**	**44,036**	**(25,067)**	**40,917**
Other Income and Expenditure	0	(4,701)	3,996	(705)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	**21,948**	**39,335**	**(21,071)**	**40,212**

2021-22	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Childrens	1,938	24,458	32	26,428
Environment	(85)	1,029	(2,586)	(1,642)
Finance	(69)	6,790	21,385	28,106
Health	293	4,733	(17,272)	(12,246)
Housing	611	1,760	768	3,139
Housing Revenue Account	27,233	5,207	(40,671)	(8,231)
Transport	124	2,185	(3,983)	(1,674)
Net Cost of Services	**30,045**	**46,162**	**(42,327)**	**33,880**
Other Income and Expenditure	0	6,824	(108,791)	(101,967)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**30,045**	**52,986**	**(151,118)**	**(68,087)**

Note 8 - Expenditure and Income Analysed by Nature

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

2021-22 £000	Nature of Expenditure or Income	2022-23 £000
(276,674)	Fees, charges and other service income	(291,848)
(12,255)	Interest and investment income	(26,978)
(146,698)	Income from local taxation	(151,485)
(682,836)	Government grants and contributions	(595,494)
302,895	Employee benefits expenses	319,782
51,329	Support service recharge expenditure	46,359
642,361	Other service expenses	601,404
63,371	Depreciation, amortisation and impairment	60,382
7,924	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
(68,788)	**Surplus or Deficit for Year**	**41,787**

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**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources:						
Pension cost (transferred to (or from) the Pensions Reserve)	(34,572)	(4,763)				39,335
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)	(72,882)	(18,436)			(65,260)	156,578
Total Adjustments to Revenue Resources	**(116,549)**	**(23,580)**	**0**	**0**	**(65,260)**	**205,389**
Adjustments between Revenue and Capital Resources:						
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)
Total Adjustments between Revenue and Capital Resources	**1,414**	**74,720**	**(19,040)**	**(25,834)**	**0**	**(31,260)**
Adjustments to Capital Resources:						
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			(140)			140
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)
Total Adjustments to Capital Resources	**0**	**0**	**30,417**	**58,513**	**61,313**	**(150,243)**
Total Adjustments	**(115,135)**	**51,140**	**11,377**	**32,679**	**(3,947)**	**23,886**

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
Adjustments to the Revenue Resources						
Pension cost (transferred to (or from) the Pensions Reserve)	(47,073)	(5,913)				52,986
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)	29,664	(49,309)			(81,716)	101,360
Total Adjustments to Revenue Resources	**(4,772)**	**(55,009)**	**0**	**0**	**(81,716)**	**141,496**
Adjustments between Revenue and Capital Resources						
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)
Total Adjustments between Revenue and Capital Resources	**14,377**	**85,624**	**(40,629)**	**(24,611)**	**0**	**(34,761)**
Adjustments to Capital Resources						
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				49,093		(49,093)
Application of capital grants to finance capital expenditure					36,913	(36,913)
Total Adjustments to Capital Resources	**0**	**0**	**32,643**	**49,093**	**36,913**	**(118,649)**
Total Adjustments	**9,605**	**30,615**	**(7,986)**	**24,482**	**(44,803)**	**(11,914)**

Note 10 - Other Operating Expenditure

2021-22 £000		2022-23 £000
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
(14,303)	**Total Other Operating Expenditure**	**66,010**

Note 11 - Financing and Investment Income and Expenditure

2021-22 £000		2022-23 £000
1,100	Interest payable and similar charges	796
6,824	Net interest on the net defined benefit liability (asset)	(4,701)
(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	(2,681)
(3,902)	Movement in fair value of financial instruments	12,859
(1,951)	Other (Trading Accounts)	(75)
(8,233)	**Total**	**(13,323)**

Note 12 - Taxation and Non-Specific Grant Income

2021-22 £000		2022-23 £000
(67,147)	Council tax income	(67,832)
(79,552)	Non-domestic rates income and expenditure	(83,654)
(54,886)	Non-ringfenced government grants and contributions	(61,365)
(74,064)	Capital grants and contributions	(57,384)
(275,649)	**Total**	**(270,235)**

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.

	Balance at 1 April 2021 £000	Transfers In 2021-22 £000	Transfers Out 2021-22 £000	Balance at 31 March 2022 £000	Transfers In 2022-23 £000	Transfers Out 2022-23 £000	Balance at 31 March 2023 £000
General Fund Reserves:							
Financial Resilience Reserve	(81,052)	(19,830)	0	**(100,882)**	(3,463)	7,299	**(97,046)**
Pensions Resilience Reserve	(43,424)	0	0	**(43,424)**	0	0	**(43,424)**
Renewals Fund	(26,406)	(564)	257	**(26,713)**	(665)	495	**(26,883)**
Service Transformation Reserve	(11,683)	0	0	**(11,683)**	(99)	731	**(11,051)**
DSOs Reserve	(6,220)	(1,570)	313	**(7,477)**	(984)	708	**(7,753)**
Refugee and Homelessness support	0	0	0	**0**	(7,374)	0	**(7,374)**
Cost of Living Reserve	0	0	0	**0**	(10,000)	1,600	**(8,400)**
Covid-19 Support Grant Reserve	(3,725)	(2,536)	498	**(5,763)**	0	5,763	**0**
IFRS9 Investment Volatility Reserve	0	0	0	**0**	(1,500)	0	**(1,500)**
Finite Services Fund	(1,410)	0	0	**(1,410)**	0	0	**(1,410)**
Specific Grant Reserve	(1,000)	0	0	**(1,000)**	0	0	**(1,000)**
Other	(219)	(2,724)	1,878	**(1,065)**	(656)	1,088	**(633)**
Subtotal	**(175,139)**	**(27,224)**	**2,946**	**(199,417)**	**(24,741)**	**17,684**	**(206,474)**
Education Balances	(13,931)	(19,855)	17,647	**(16,139)**	(15,485)	15,334	**(16,290)**
Collection Fund Volatility Reserve	(32,568)	(12,968)	23,483	**(22,053)**	(7,175)	13,698	**(15,530)**
Insurance Reserve	(7,053)	(1,568)	0	**(8,621)**	(394)	793	**(8,222)**
S106 Revenue Reserves	(9,614)	(3,233)	1,374	**(11,473)**	(21,185)	3,344	**(29,314)**
Total General Fund	**(238,305)**	**(64,848)**	**45,450**	**(257,703)**	**(68,980)**	**50,853**	**(275,830)**

Note 14 - Property, Plant and Equipment

Movements to 31 March 2023	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
at 1 April 2022	1,520,032	1,147,281	29,309	21,154	25,819	**2,743,595**
Additions	111,967	8,808	2,027	227	7,535	**130,564**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	72,967	23,655	0	0	0	**96,622**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(28,234)	921	0	0	0	**(27,313)**
Derecognition – disposals	(8,255)	(71,996)	0	0	0	**(80,251)**
at 31 March 2023	**1,668,477**	**1,108,669**	**31,336**	**21,381**	**33,354**	**2,863,217**
Accumulated Depreciation and Impairment						
at 1 April 2022	0	(2,981)	(20,335)	0	0	**(23,316)**
Depreciation charge	(24,511)	(9,321)	(1,052)	0	0	**(34,884)**
Depreciation written out to the Revaluation Reserve	14,540	8,908	0	0	0	**23,448**
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,994	989	0	0	0	**10,983**
Derecognition – disposals	0	157	0	0	0	**157**
at 31 March 2023	**23**	**(2,248)**	**(21,387)**	**0**	**0**	**(23,612)**
Net Book Value at 31 March 2023	**1,668,500**	**1,106,421**	**9,949**	**21,381**	**33,354**	**2,839,605**

Movements to 31 March 2022	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
at 1 April 2021	**1,478,713**	**1,134,865**	**26,335**	**20,870**	**22,759**	**2,683,542**
Additions	**79,717**	**4,832**	**2,974**	**284**	**3,060**	**90,867**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**1,953**	**21,011**	**0**	**0**	**0**	**22,964**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	**(34,002)**	**1,669**	**0**	**0**	**0**	**(32,333)**
Derecognition – disposals	**(6,349)**	**(15,096)**	**0**	**0**	**0**	**(21,445)**
at 31 March 2022	**1,520,032**	**1,147,281**	**29,309**	**21,154**	**25,819**	**2,743,595**
Accumulated Depreciation and Impairment						
at 1 April 2021	(4)	(2,091)	(19,691)	0	0	**(21,786)**
Depreciation charge	(23,309)	(8,791)	(644)	0	0	**(32,744)**
Depreciation written out to the Revaluation Reserve	14,026	6,864	0	0	0	**20,890**
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,282	1,037	0	0	0	**10,319**
Derecognition – disposals	5	0	0	0	0	**5**
at 31 March 2022	**0**	**(2,981)**	**(20,335)**	**0**	**0**	**(23,316)**
Net Book Value at 31 March 2022	**1,520,032**	**1,144,300**	**8,974**	**21,154**	**25,819**	**2,720,279**
Net Book Value at 31 March 2021	**1,478,709**	**1,132,774**	**6,644**	**20,870**	**22,759**	**2,661,756**

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.

2021-22 £000	Capital Scheme	2022-23 £000
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
92,309		**27,313**

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.

2021-22 £000		**2022-23 £000**
98,987	At 1 April	106,644
16,270	Additions	12,517
(8,613)	Depreciation	(9,167)
106,644	**at 31 March**	**109,994**

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

2021-22 £000		2022-23 £000
106,644	Infrastructure Assets	109,994
2,720,279	Other Property, Plant and Equipment	2,839,605
2,826,923	**at 31 March**	**2,949,599**

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

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

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 Non-Current £000	Investment Properties Movements in Year	31 March 2023 Non-Current £000
74,168	Opening Balance	73,303
2	Acquisitions	3
(867)	Net gains/losses from fair value adjustments	(2,612)
73,303	**Balance at the end of the year**	**70,694**

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 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)
Balance Outstanding at Year End	**723**	**804**	**3,817**	**3,627**	**4,540**	**4,431**

Note 20 - Financial Instruments

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

	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	**100,438**
Amortised Cost	0	0	38,707	38,644	**38,644**
Total financial assets	**79,042**	**100,438**	**38,707**	**38,644**	**139,082**

	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
Amortised cost	494,125	561,746	85,372	64,996	**626,742**
Total financial assets	**494,125**	**561,746**	**85,372**	**64,996**	**626,742**

	Non-Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 Mar 22	31 Mar 23	31 Mar 22	31 Mar 23	31 Mar 23
	£000	£000	£000	£000	£000
Amortised cost	(34,403)	(17,202)	(39,582)	(39,582)	(56,784)
Total financial liabilities	**(34,403)**	**(17,202)**	**(39,582)**	**(39,582)**	**(56,784)**

	Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 Mar 22	31 Mar 23	31 Mar 22	31 Mar 23	31 Mar 23
	£000	£000	£000	£000	£000
Amortised cost	(17,909)	(17,808)	(75,159)	(81,107)	(98,915)
Total financial liabilities	**(17,909)**	**(17,808)**	**(75,159)**	**(81,107)**	**(98,915)**

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

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

Note 21 - Debtors

31 March 2022		31 March 2023
£000		£000
93,934	Trade Receivables	61,723
4,680	Prepayments	5,265
15,278	Housing Benefits	12,871
13,311	Other Local Authorities	12,710
10,997	Other Entities and Individuals	16,641
5,842	NHS Bodies	6,281
22,996	Central Government Bodies	18,625
167,038	**Total**	**134,116**

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:

31 March 2022 £000		31 March 2023 £000
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
7,331	**Total**	**6,196**

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:

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

Note 24 - Assets Held for Sale

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

Note 25 – Creditors

31 March 2022 £000		31 March 2023 £000
(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)
(181,250)	**Total Creditors**	**(156,021)**

Note 26 - Provisions

Current Provisions

2022-23	**Central Insurance Fund**	**Tree Root Claims**	**Business Rates Appeals**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
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	2,274	0	5,780
Unused amounts reversed	0	0	0	0	0
Closing Balance	**(3,062)**	**(341)**	**(4,247)**	**0**	**(7,650)**

2021-22	**Central Insurance Fund**	**Tree Root Claims**	**Business Rates Appeals**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
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
Closing Balance	**(3,044)**	**(319)**	**(3,110)**	**0**	**(6,473)**

Long Term Provisions

2022-23	**Central Insurance Fund**	**Tree Root Claims**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**
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
Closing Balance	**(3,536)**	**(3,069)**	**(81)**	**(6,686)**

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

Notes to the Provisions

The Council does not have external insurance for all potential risks and accordingly has stablished 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).

2021-22 £000	Total Provisions	2022-23 £000
(16,063)	Opening balance	(13,347)
(2,010)	Increase in provision during year	(7,155)
4,678	Utilised during year	5,780
48	Unused amounts reversed	386
(13,347)	**Closing Balance**	**(14,336)**

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.

31 March 2022 £000		31 March 2023 £000
(23,404)	Balance 1 April	(31,391)
(43,409)	Capital Receipts in year	(19,231)
0	Deferred Receipts realised	0
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
(31,391)	**Balance 31 March**	**(20,013)**

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

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

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.

31 March 2022 £000		31 March 2023 £000
(151,605)	Balance 1 April	(196,407)
(81,715)	Capital grants recognised in year	(65,259)
36,913	Capital grants and contributions applied	61,313
(196,407)	**Balance 31 March**	**(200,353)**

Note 28 - Unusable Reserves

31 March 2022 £000		31 March 2023 £000
(1,079,262)	Revaluation Reserve	(1,132,063)
(1,637,139)	Capital Adjustment Account	(1,729,334)
235,362	Pension Reserve	(354,984)
(4)	Deferred Capital Receipts Reserve	(4)
11,345	Collection Fund Adjustment Account	(754)
4,628	Accumulated Absences Account	7,522
(4,456)	Pooled Investment Funds Adjustment Account	8,404
4,601	DSG Unusable Reserve	10,423
(2,464,925)	**Total**	**(3,190,790)**

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).

31 March 2022 £000		**31 March 2023 £000**
(1,056,825)	Balance 1 April	(1,079,262)
(71,579)	Upward revaluation of assets	(137,348)
27,724	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	17,277
(43,855)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(120,071)**
8,878	Difference between fair value depreciation and historical cost depreciation	9,535
12,540	Accumulated gains on assets sold or scrapped	57,735
21,418	**Amount written off to the Capital Adjustment Account**	**67,270**
(1,079,262)	**Balance 31 March**	**(1,132,063)**

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.

31 March 2022 £000		31 March 2023 £000
(1,563,671)	Balance 1 April	(1,637,139)
41,357	Charges for depreciation and impairment of non-current assets	44,052
22,014	Revaluation losses on non-current assets	16,330
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
100,493	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	153,969
(21,418)	Adjusting Amounts written out of the Revaluation Reserve	(67,271)
79,075	**Net written out amount of the cost of non-current assets consumed in the year**	86,698
(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)	**Capital financing applied in year:**	(151,135)
(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	2,612
129	Capital Receipts debited to the Capital Adjustment Account on Repayment of loans	139
(1,637,139)	**Balance 31 March**	**(1,729,334)**

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.

31 March 2022 £000		31 March 2023 £000
352,995	**Opening Balance**	235,362
(170,619)	Remeasurements of the net defined benefit (liability)/asset	(629,681)
77,772	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	65,768
(24,786)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,433)
235,362	**Balance 31 March**	**(354,984)**

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.

31 March 2022 £000		**31 March 2023 £000**
(4)	Balance 1 April	(4)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(4)	**Balance 31 March**	**(4)**

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.

31 March 2022 £000		**31 March 2023 £000**
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)
11,345	**Balance 31 March**	**(754)**

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.

31 March 2022 £000		**31 March 2023 £000**
5,225	**Balance 1 April**	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	7,522
(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	2,894
4,628	**Balance 31 March**	**7,522**

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.

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

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.

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

Note 29 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

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

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

31 March 2022 £000		31 March 2023 £000
(41,357)	Depreciation	(44,052)
(22,014)	Impairment and downward valuations	(16,330)
(18,040)	(Increase)/decrease in creditors	19,659
(10,583)	Increase/(decrease) in debtors	2,135
3,020	Increase/(decrease) in inventories	(108)
(52,986)	Movement in pension liability	(39,335)
(21,440)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(80,095)
5,796	Other non-cash movements charged to the surplus or deficit on provision of services	(17,204)
(157,604)	**Total**	**(175,330)**

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

31 March 2022 £000		31 March 2023 £000
43,409	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,231
81,715	Any other items for which the cash effects are investing or financing cash flows	65,259
125,124	**Total**	**84,490**

Note 30 - Cash Flow from Investing Activities

31 March 2022 £000		31 March 2023 £000
106,339	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	4,859
(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)
(69,617)	Other receipts from investing activities	(67,460)
94,595	**Net cash flows from investing activities**	**153,613**

Note 31 - Cash Flow from Financing Activities

31 March 2022 £000		31 March 2023 £000
(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)
(10,875)	**Net cash flows from financing activities**	**(15,633)**

Note 32 – Reconciliation of Liabilities from Financing Activities

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

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 exists 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.

2021-22 £000	Better Care Fund	2022-23 £000
(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
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Joint Integrated Community Equipment Service with St 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 £000	Joint Integrated Community Equipment Service	2022-23 £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
(287)	**Net Surplus/Deficit on the Pooled Budget**	**(278)**
(287)	**Authority Share of the Net Surplus / Deficit**	**(278)**

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 £000		2022-23 £000
1,076	Allowances	1,022
1,076	**Total Members' Allowances**	**1,022**

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:

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

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

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 with a salary 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**
125	110	**235**	£50,001 to £55,000	119	159	**278**
49	63	**112**	£55,001 to £60,000	81	97	**178**
34	32	**66**	£60,001 to £65,000	27	39	**66**
20	20	**40**	£65,001 to £70,000	28	38	**66**
10	11	**21**	£70,001 to £75,000	11	17	**28**
14	11	**25**	£75,001 to £80,000	15	18	**33**
15	6	**21**	£80,001 to £85,000	10	10	**20**
6	13	**19**	£85,001 to £90,000	9	7	**16**
4	5	**9**	£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	3	**6**	£105,001 to £110,000	2	3	**5**
2	1	**3**	£110,001 to £115,000	0	2	**2**
1	1	**2**	£115,001 to £120,000	0	2	**2**
0	1	**1**	£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	0	**0**	£150,001 to £160,000	0	2	**2**
0	1	**1**	£165,001 to £170,000	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**
290	**288**	**578**	**Total**	**321**	**426**	**747**

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	6	27	3	49	9	470,227	121,913
£20,001 - £40,000	6	0	7	0	13	0	349,139	38,149
£40,001 - £60,000	1	4	2	0	3	4	141,659	215,048
£60,001 - £80,000	1	3	0	2	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
Total	**32**	**17**	**36**	**5**	**68**	**22**	**1,205,082**	**1,153,106**
Add: Amounts provided for in CIES not included in bandings							(62,658)	563,993
Total cost included in CIES							**1,142,425**	**1,717,099**

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 £1.717m 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.

2021-22 £000		2022-23 £000
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
145	**Total**	**135**

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:

DSG Receivable for 2022-23	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for year before Academies recoupment			(260,579)
Academy figure recouped for year			91,134
Total DSG after academy recoupment			**(169,445)**
Plus: Brought forward from previous year			4,599
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	**(55,477)**	**(113,968)**	**(164,846)**
In Year Adjustments	447	0	447
Final budget distribution for year	**(55,030)**	**(113,968)**	**(164,399)**
Less: Actual central expenditure	60,801		60,801
Less: Actual ISB deployed to schools		114,021	114,021
Carry forward to 2023-34	**5,771**	**53**	**10,423**

DSG Receivable for 2021-22	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for year before Academies recoupment			(253,443)
Academy figure recouped for year			88,080
Total DSG after academy recoupment			**(165,363)**
Plus: Brought forward from previous year			(10)
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	**(47,832)**	**(117,540)**	**(165,373)**
In Year Adjustments	0	546	546
Final budget distribution for year	**(47,832)**	**(116,994)**	**(164,827)**
Less: Actual central expenditure	51,340		51,340
Less: Actual ISB deployed to schools		118,086	118,086
Carry forward to 2022-23	**3,508**	**1,092**	**4,599**

Note 39 - Grant Income

Grants and contributions charged to Taxation and Non Specific Grant income

31 March 2022 £000		31 March 2023 £000
(54,886)	Non-specific revenue grants	(61,365)
(64,640)	Capital grants and contributions - General Fund	(21,719)
(9,424)	Capital grants and contributions - Housing Revenue Account	(35,665)
(128,950)	**Total**	**(118,749)**

Grants and contributions charged to Net Cost of Services

31 March 2022 £000		31 March 2023 £000
(164,718)	Dedicated Schools Grant	(168,976)
(75,718)	Rent Allowance Subsidy	(69,167)
(110,698)	Section 106 Contributions	(49,196)
(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	(2,405)
(553,886)	**Total**	**(476,744)**

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2022 £000		31 March 2023 £000
(4,064)	Section 106 Contributions	(2,907)
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)
(33,839)	**Total**	**(9,711)**

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

31 March 2022 £000		31 March 2023 £000
(14,329)	Section 106 Contributions	(51,025)
(14,329)	**Total**	**(51,025)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2022 £000		31 March 2023 £000
(2,910)	Section 106 Contributions	(4,218)
(2,910)	**Total**	**(4,218)**

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

31 March 2022 £000		31 March 2023 £000
(32,587)	Section 106 Contributions	(32,586)
(1,618)	Free Schools	(1,618)
(4,054)	Council Homes for London	0
(2,086)	Other	(3,249)
(40,345)	**Total**	**(37,453)**

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 (NESCB)

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. Guilliotti (Assistant Director of Resources – Financial Services) is Auditor to the Board.

The Board had regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf. At 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 (Assistant Director of Resources (Financial Management)) was Deputy Treasurer to the Authority. Mr P. Guilliotti was Head of Audit to the Authority.

During the year there were refuse disposal charges of £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.

31 March 2022 £000		31 March 2023 £000
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
122,885	**Total Capital Spending**	**156,651**
	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)
(153,538)	**Total Sources of Finance**	**(181,643)**
187,341	**Closing Capital Financing Requirement**	**162,349**

Explanation of movements in year

31 March 2022		31 March 2023

£000		£000
(30,225)	Increase in underlying need to borrow	(24,552)
(429)	Other movements	(441)
(30,654)	**Increase/(decrease) in Capital Financing Requirement**	**(24,993)**

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:

31 March 2022 £000		31 March 2023 £000
15,647	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
16,757	**Total**	**12,660**

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

31 March 2022 £000		31 March 2023 £000
15,278	Minimum lease payments	14,275
15,278	**Total**	**14,275**

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
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
			Service cost comprising:			
69,901	347	70,248	Current service cost	57,891	298	58,189
770	0	770	Past service cost	479	119	598
(1,279)	0	(1,279)	(Gain) / loss from settlements and / or transfers	(89)	10,632	10,543
1,127	82	1,209	Administration expenses	1,118	21	1,139
6,831	(7)	6,824	Net interest expense / income	(4,734)	33	(4,701)
77,350	**422**	**77,772**	**Total charged to Surplus and Deficit on Provision of Services**	**54,665**	**11,103**	**65,768**

£000	£000	£000	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	£000	£000	£000
			Re-measurement of the net defined benefit liability comprising:			
(53,556)	(7,990)	(61,546)	Return on plan assets (excluding the amount included in the net interest expense)	128,703	3,373	132,076
4,323	127	4,450	Actuarial gains and losses - experience	106,360	3,853	110,213
0	0	0	Actuarial gains and losses arising on changes in demographic assumptions	(93,119)	(1,600)	(94,719)
(111,992)	(1,531)	(113,523)	Actuarial gains and losses arising on changes in financial assumptions	(767,450)	(16,681)	(784,131)
0	0	0	Other movements in the liability/(asset)	6,945	(65)	6,880
(161,225)	**(9,394)**	**(170,619)**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(618,561)**	**(11,120)**	**(629,681)**

(83,875)	**(8,972)**	**(92,847)**	**Total charged to the Comprehensive Income and Expenditure Statement**	**(563,896)**	**(17)**	**(563,913)**

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
(77,350)	(422)	(77,772)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(54,665)	(11,103)	(65,768)
			Actual amount charged against the general fund balance for pensions in the year:			
24,623	163	24,786	Employers' contributions payable to scheme	26,204	229	26,433

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
(2,026,182)	(59,432)	(2,085,614)	Present value of the defined obligation	(1,341,572)	(44,146)	(1,385,718)
1,781,420	68,832	1,850,252	Fair value of plan assets	1,686,910	53,792	1,740,702
(244,762)	**9,400**	**(235,362)**	**Net (liability) / asset arising from the defined benefit obligation**	**345,338**	**9,646**	**354,984**

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	1,781,420	68,832	1,850,252
33,692	1,165	34,857	Interest income	61,051	1,481	62,532
			Re-measurement gain / (loss):			
53,556	7,990	61,546	The return on plan assets, excluding the amount included in the net interest expense	(128,703)	(3,373)	(132,076)
0	0	0	Other gains / (losses)	(6,945)	65	(6,880)
24,623	163	24,786	Contributions from employer	26,204	229	26,433
9,981	53	10,034	Contributions from employees into the scheme	10,717	55	10,772
(52,886)	(3,287)	(56,173)	Benefits / transfers paid	(54,717)	(2,844)	(57,561)
(1,127)	(82)	(1,209)	Administration expenses	(1,118)	(21)	(1,139)
(1,532)	0	(1,532)	Assets Extinguished on Settlement	(999)	(10,632)	(11,631)
1,781,420	**68,832**	**1,850,252**	**Closing value of scheme assets**	**1,686,910**	**53,792**	**1,740,702**

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	(2,026,182)	(59,432)	(2,085,614)
(69,901)	(347)	(70,248)	Current service cost	(57,891)	(298)	(58,189)
(40,523)	(1,158)	(41,681)	Interest cost	(56,317)	(1,514)	(57,831)
(9,981)	(53)	(10,034)	Contributions from scheme participants	(10,717)	(55)	(10,772)
			Re-measurement gains and losses:			
(4,323)	(127)	(4,450)	- Actuarial gains / (losses) - experience	(106,360)	(3,853)	(110,213)
0	0	0	- Actuarial gains / (losses) from changes in demographic assumptions	93,119	1,600	94,719
111,992	1,531	113,523	- Actuarial gains / (losses) from changes in financial assumptions	767,450	16,681	784,131
(770)	0	(770)	Past service cost	(479)	(119)	(598)
52,886	3,287	56,173	Benefits / transfers paid	54,717	2,844	57,561
2,811	0	2,811	Liabilities extinguished on settlements	1,088	0	1,088
(2,026,182)	**(59,432)**	**(2,085,614)**	**Balance as at 31 March**	**(1,341,572)**	**(44,146)**	**(1,385,718)**

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 £000	2021-22 Council %	Asset Allocation	2022-23 Council £000	2022-23 Council %
25,939	1.46%	Cash and cash equivalents	42,311	2.51%
1,065,791	59.83%	Equities	961,475	57.00%
23,773	1.33%	Gilts	0	0.00%
246,648	13.85%	Corporate Bonds	272,074	16.13%
214,563	12.04%	Property	223,754	13.26%
204,706	11.49%	Multi-Asset Funds	187,296	11.10%
1,781,420	**100.00%**	**Scheme assets**	**1,686,910**	**100.00%**

2021-22 LPFA £000	2021-22 LPFA %	Asset Allocation	2022-23 LPFA £000	2022-23 LPFA %
2,291	3.33%	Cash and cash equivalents	69	0.13%
38,218	55.52%	Equities	31,633	58.81%
6,164	8.96%	Property	5,282	9.82%
7,036	10.22%	Infrastructure	6,806	12.65%
15,123	21.97%	Target Return Portfolio	10,002	18.59%
68,832	**100.00%**	**Scheme assets**	**53,792**	**100.00%**

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 practise this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

		Council			LPFA	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,321,589	1,341,572	1,362,060	43,702	44,146	44,599
Projected Service Cost	24,659	25,536	26,444	159	163	166
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,342,816	1,341,572	1,340,336	44,165	44,146	44,127
Projected Service Cost	25,553	25,536	25,519	163	163	163
Adjustment to pension increases & deferred revaluation	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,361,179	1,341,572	1,322,441	44,588	44,146	43,712
Projected Service Cost	26,456	25,536	24,647	166	163	160
Adjustment to mortality age rating assumption	**+ 1 Year**	**None**	**-1 Year**	**+ 1 Year**	**None**	**-1 Year**
Present Value of Total Obligation	1,399,886	1,341,572	1,286,015	46,567	44,146	41,863
Projected Service Cost	26,526	25,536	24,574	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.

<u>Impact on the Council's cash flows.</u>

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 meets its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, 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 Director of Finance or, in her absence, the Assistant Director. 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 Accoountancy 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 Director of Resources 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 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:

Liquidity Risk	**31 March 2022** **£000**	**31 March 2023** **£000**
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
Total	**53,131**	**35,010**

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**
				INCOME:				
		(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)
		(8)	(8)	Transfer from General Fund re Covid Hardship			(2)	(2)
(93,206)	**(2,430)**	**(119,721)**	**(215,357)**	**Total amounts to be credited**	**(104,898)**	**(2,697)**	**(125,333)**	**(232,928)**
				EXPENDITURE:				
				Apportionment of Previous Year Surplus/Deficit:				
(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)
				Precepts, demands and shares:				
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

				Business Rate Supplement:				
	2,366		2,366	Payment to levying authority's Business Rate Supplement Revenue Account		2,865		2,865
	8		8	Administrative Costs		7		7
				Charges to Collection Fund:				
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
				Transfers to General Fund:				
8,161			8,161	Designated Area Payments	8,534			8,534
54,919	**2,430**	**117,855**	**175,204**	**Total amounts to be debited**	**66,626**	**2,697**	**124,078**	**193,401**
(38,287)	**0**	**(1,866)**	**(40,153)**	**(Surplus)/Deficit arising during the year**	**(38,272)**	**0**	**(1,255)**	**(39,527)**
81,737	**0**	**(1,141)**	**80,596**	**(Surplus)/Deficit b/f at 1 April**	**43,450**	**0**	**(3,007)**	**40,443**
43,450	**0**	**(3,007)**	**40,443**	**(Surplus)/Deficit c/f at 31 March**	**5,178**	**0**	**(4,262)**	**916**

Notes to the Collection Fund

Note 1 – Council Tax Income

2022-23

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	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
			Council Tax Base	**138,028**

2021-22

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	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
			Council Tax Base	**136,064**

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.

2021-22 £000		2022-23 £000
	Expenditure	
29,236	Repairs & Maintenance	38,355
60,544	Supervision & Management	68,804
586	Rents, Rates, Taxes and other charges	900
47,501	Depreciation, impairments and revaluation losses of non-current assets	43,847
1,021	Movement in the allowance for bad debts	1,924
138,888	**Total Expenditure**	**153,830**
	Income	
(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	(4,750)
(147,121)	**Total Income**	**(155,724)**
(8,233)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(1,894)**
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
(6,836)	**Net Expenditure of HRA Services**	**(528)**
(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)
706	Net interest on the defined benefit liability/asset	(505)
(9,424)	Capital Grants and Contributions	(35,665)
(39,084)	**(Surplus) or Deficit for Year on HRA Services**	**(56,324)**

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

2021-22 £000	Movement on the HRA Statement	2022-23 £000
(139,331)	**Balance on the HRA at the end of the previous year**	**(147,799)**
(39,083)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(56,324)
30,615	Adjustments between accounting basis and funding basis under statute	51,140
(8,468)	**Net (increase) or decrease on the HRA**	**(5,184)**
0	Transfers to / (from) Reserves	(473)
(8,468)	(Increase) / decrease on the HRA for the year	(5,184)
(147,799)	**Balance on the HRA at the end of the current year**	**(153,456)**

2021-22 £000	Adjustment between accounting basis	2022-23 £000
(23,259)	Transfers to/(from) the Capital Adjustment Account	(19,623)
21,681	Gain or (loss) on sale of non-current assets	10,313
(5,914)	Contributions to or (from) the Pension Reserve	(4,763)
(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
30,615	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**51,140**

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
30,415	**2,709**	**33,124**	**Total**	**30,366**	**2,701**	**33,067**

Note 2 – Housing Revenue Account Capital Funding

2021-22 £000		2022-23 £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)
(88,103)	**Total funding**	**(119,592)**

Note 3 - Balance Sheet Value of HRA Assets

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

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 £000		2022-23 £000
(23,308)	Council Dwellings	(24,511)
(1,303)	Other Land & Buildings	(1,323)
(24,611)	**Total**	**(25,834)**

Note 5 – Transactions relating to retirement benefits

2021-22 £000		2022-23 £000
5,002	Current Service Cost	5,081
205	Past Service Costs	186
706	Net interest expense / income	-505
5,913	**Total charged to Comprehensive Income and Expenditure Statement**	**4,762**

Note 6 – Total Capital Receipts generated during the year

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

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 Expenditure £000	2021-22 Income £000	2021-22 Net £000		2022-23 Expenditure £000	2022-23 Income £000	2022-23 Net £000
144,673	(87,145)	57,528	Adult Care and Health	337,017	(229,864)	107,153
49,453	(12,219)	37,234	Community Services & Open Spaces	50,854	(11,365)	39,489
325,311	(215,201)	110,110	Education & Children's Services	199,970	(158,541)	41,429
202,261	(180,306)	21,955	Finance and Corporate Resources	159,832	(87,213)	72,619
46,642	(33,050)	13,592	Housing and Regeneration	54,263	(35,869)	18,394
131,484	(139,715)	(8,231)	Housing Revenue Account	144,258	(144,786)	(528)
152,729	(155,520)	(2,791)	Strategic Planning & Transportation	70,794	(90,015)	(19,221)
1,052,553	**(823,156)**	**229,397**	**Cost of Services**	**1,016,988**	**(757,653)**	**259,335**
7,480	(21,783)	(14,303)	Other Operating Expenditure	66,010	0	66,010
65,504	(73,737)	(8,233)	Financing and Investment Income and Expenditure	100,982	(114,305)	(13,323)
0	(275,649)	(275,649)	Taxation and Non-Specific Grant Income	0	(270,235)	(270,235)
1,125,537	**(1,194,325)**	**(68,788)**	**Surplus or Deficit on Provision of Services**	**1,183,980**	**(1,142,193)**	**41,787**
		3,369	Share of the Surplus / Deficit of Joint Ventures			1,563
		(65,419)				**43,350**
		(43,855)	Surplus or deficit on revaluation of Property, Plant and Equipment			(120,071)
		(170,619)	Remeasurement of the net defined benefit liability / asset			(629,681)
		(214,474)	**Other Comprehensive Income and Expenditure**			**(749,752)**
		(279,893)	**Total Comprehensive Income and Expenditure**			**(706,402)**

Group Balance Sheet

31 March 2022 £000		31 March 2023 £000
2,826,924	Property, Plant and Equipment	2,949,599
1,351	Heritage Assets	1,351
73,303	Investment Property	70,694
0	Intangible Assets	0
79,042	Long-Term Investments	100,438
38,707	Long-Term Debtors	38,644
3,019,327	**Long Term Assets**	**3,160,726**
494,125	Short-Term Investments	561,746
1,054	Assets Held for Sale	1,054
4,540	Inventories	4,431
167,038	Short-Term Debtors	134,116
176,669	Cash and Cash Equivalents	87,742
843,426	**Current Assets**	**789,089**
(17,909)	Short-Term Borrowing	(17,808)
(181,250)	Short-Term Creditors	(156,021)
(6,473)	Provisions	(7,650)
(33,839)	Grants Receipts in Advance - Revenue	(9,711)
(2,910)	Grants Receipts in Advance - Capital	(4,218)
(242,381)	**Current Liabilities**	**(195,408)**
(39,582)	Long-Term Creditors	(39,582)
(6,874)	Provisions	(6,686)
(34,403)	Long-Term Borrowing	(17,202)
(235,362)	Other Long-Term Liabilities	354,984
(14,329)	Grants Receipts in Advance - Revenue	(51,025)
(40,345)	Grants Receipts in Advance - Capital	(37,453)
(7,712)	Share of Joint Venture Liabilities	(9,275)
(378,607)	**Long Term Liabilities**	**193,761**
3,241,765	**Net Assets**	**3,948,168**
(784,553)	Usable Reserves	(766,653)
(2,464,924)	Unusable Reserves	(3,190,790)
7,712	Share of Joint Venture Reserves	9,275
(3,241,765)	**Total Reserves**	**(3,948,168)**

Group Movement in Reserves Statement

	WBC Usable Reserves	WBC Unusable Reserves	Authorities Share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
Balance at 31 March 2022	**(784,554)**	**(2,464,924)**	**7,712**	**(3,241,766)**
Surplus or deficit on the provision of services	41,787	0	1,563	43,350
Other Comprehensive Income / Expenditure		(749,752)	0	(749,752)
Total Comprehensive Income and Expenditure	**41,787**	**(749,752)**	**1,563**	**(706,402)**
Adjustments between accounting basis and funding basis under regulations	(23,886)	23,886	0	0
Increase or Decrease in 2022-23	**17,901**	**(725,866)**	**1,563**	**(706,402)**
Balance at 31 March 2023	**(766,653)**	**(3,190,790)**	**9,275**	**(3,948,168)**

	WBC Usable Reserves	WBC Unusable Reserves	Authorities Share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
Balance at 31 March 2021	**(727,681)**	**(2,238,536)**	**4,343**	**(2,961,874)**
Surplus or deficit on the provision of services	(68,787)	0	3,369	(65,418)
Other Comprehensive Income / Expenditure		(214,474)	0	(214,474)
Total Comprehensive Income and Expenditure	**(68,787)**	**(214,474)**	**3,369**	**(279,892)**
Adjustments between accounting basis and funding basis under regulations	11,914	(11,914)	0	0
Increase or Decrease in 2021/22	**(56,873)**	**(226,388)**	**3,369**	**(279,892)**
Balance at 31 March 2022	**(784,554)**	**(2,464,924)**	**7,712**	**(3,241,766)**

Group Cash Flow Statement

2021-22 £000		2022-23 £000
(65,418)	Net (surplus) or deficit on the provision of services	43,350
(160,973)	Adjustment to surplus or deficit on the provision of services for noncash movements	(176,893)
125,124	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	84,490
(101,267)	**Net cash flows from operating activities**	**(49,053)**
94,595	Net cash flows from investing activities	153,613
(10,875)	Net cash flows from financing activities	(15,633)
(17,547)	**Net (increase) or decrease in cash and cash equivalents**	**88,927**
159,122	Cash and cash equivalents at the beginning of the reporting period	176,669
176,669	**Cash and cash equivalents at the end of the reporting period**	**87,742**

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

To Follow

Pension Fund Accounts

Wandsworth Fund Account

2021/22 £000		Note	2022/23 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(68,372)	Contributions receivable	***Error! Reference source not found.***	(73,692)
(10,037)	Transfers In from Other Pension Funds	***Error! Reference source not found.***	(12,867)
(78,409)			(86,559)
80,405	Benefits payable	***Error! Reference source not found.***	84,641
9,960	Payments to and on account of Leavers	***Error! Reference source not found.***	14,150
90,365			98,791
11,956	**Net (Additions)/Withdrawals from Dealings with Members**		**12,232**
12,855	Management Expenses	***Error! Reference source not found.***	12,773
24,811	**Net (Additions)/Withdrawals including Fund Management Expenses**		**25,005**
	Returns on Investments		
(45,909)	Investment income	***Error! Reference source not found.***	(50,651)
269	Taxes on income	***Error! Reference source not found.***	497
(108,957)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	*Note 16*	140,111
(154,597)	**Net Returns on Investments**		**89,957**
(129,786)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**114,962**
(2,745,821)	Opening Net Assets of the Fund		(2,875,607)
(2,875,607)	**Closing Net Assets of the Fund**		**(2,760,645)**

Net Assets Statement

31st March 2022 £000		Note	31st March 2023 £000
	Investment Assets		
2,840,692	- Investment Assets		2,674,052
50,695	- Cash Deposits with FM		92,497
(26,785)	Investment Liabilities		(10,368)
2,864,602	**Total Net Investments**	***Error! Reference source not found.***	**2,756,181**
	Long term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
1,520	- Long Term Debtor	***Error! Reference source not found.***	2,739
2,866,422	**Total Long-Term Assets**		**2,759,220**
	Current Assets		
10,008	- Cash Deposits with Bank	*Note 30**Error! Reference source not found.***	1,666
1,882	- Current Assets (excl. bank)	***Error! Reference source not found.**Note 30*	2,414
11,890			**4,080**
(2,705)	Current Liabilities	*Note 30*	(2,655)
(2,705)			**(2,655)**
2,875,607	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,760,645**

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

Notes to the Wandsworth Pension Fund Accounts

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

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 1st 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

Note 2 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.

Note 3 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 31st 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 31st 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.

Note 4 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	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. 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. 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. The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

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 31st 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 31st 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 Note 16 . 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 Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties
Properties are valued 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.

Note 5 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 31st 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.

Note 6 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:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
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.

Note 7 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

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

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

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 31st 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 Note 2) other than in Note 28 so the asset reduction of £42m is the only impact on the Net Asset Statement.

Note 8 Contributions Receivable

31st March 2022 £000		31st March 2023 £000
(17,095)	**Employees' Contributions**	**(18,607)**
(49,219)	Normal Contributions	(53,026)
(743)	Deficit Recovery Contributions	(705)
(1,315)	Augmentation Contributions	(1,354)
(51,277)	**Employers' Contributions**	**(55,085)**
(68,372)	**Total Contributions by Category**	**(73,692)**
(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)
(68,372)	**Total Contributions by Body**	**(73,692)**

Note 9 Transfers In from Other Pension Funds

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

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.

Note 10 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
80,405	**Total Benefits by Category**	**84,641**
72,635	Councils (LBRuT & WBC)	76,023
3,374	Scheduled Bodies	3,984
3,587	Admitted Bodies	3,931
809	Designated Bodies	703
80,405	**Total Benefits by Body**	**84,641**

Note 11 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
9,960	**Total Payments to/on account of Leavers**	**14,150**

Note 12 Management Expenses

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

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**
Bonds				
Allianz (ex-Rogge)	283	283		
Equity				
River & Mercantile (to November 2021)	410	150		260
Pooled Property				
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		
Pooled Equity				
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		
Pooled Multi-Asset				
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	
Pooled Infrastructure				
JP Morgan	616	548	68	
Pantheon	436	436		
LCIV Renewable Infrastructure	832	832		
Pooled Private Debt				
Brightwood	164	164		
Churchill	360	360		
Permira	296	296		
Derivatives - Currency Hedging for risk management				
Russell	144	144		
London LCIV Fixed Costs	110	110		
Other	0	0		
Total paid to Fund Managers	**11,052**	**10,575**	**217**	**260**
Custodian - Custody Fees	56			
Administering Authority monitoring cost	77			
Total Investment Management Expenses	**11,185**			

2022/23	Total	Management Fees	Performance Fees	Transaction Costs
Detail of Investment Management Expenses	**£000**	**£000**	**£000**	**£000**
Bonds				
Allianz (ex-Rogge)	230	230		
Janus Henderson	55	55		
Equity				
River & Mercantile *contract ended November 2021*	0	0		0
Pooled Property				
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		
Pooled Equity				
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		
Pooled Multi-Asset				
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	
Pooled Infrastructure				
JP Morgan	878	617	261	
Pantheon	474	474		
LCIV Renewable Infrastructure	1,030	1,030		
Pooled Private Debt				
Brightwood	192	192		
Churchill	566	566		
Permira	472	472		
Derivatives - Currency Hedging for risk management				
Russell	160	160		
London LCIV Fixed Costs	110	110		
Other – Balance of Estimated Fees	(21)	(21)		
Total paid to Fund Managers	**11,046**	**10,521**	**525**	**0**
Custodian - Custody Fees	46			
Administering Authority monitoring cost	107			
Total Investment Management Expenses	**11,199**			

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.

Note 13 Investment Income

2021/22 £000		2022/23 £000
	Income from	
(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)
(45,909)	**Total Investment Income**	**(50,651)**
	Taxes on Income	
28	Overseas Withholding Tax on Equities	0
0	Overseas Withholding Tax on Bonds	237
241	Overseas Withholding Tax on Pooled Vehicles	260
269	**Total Taxes on Income**	**497**

Property Income

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

Note 14 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
41		**21**

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.

Note 15 Investments

31st March 2022 £000		31st March 2023 £000
	Investment Assets	
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
2,840,692	**Other Investment Assets**	**2,674,052**
50,695	Cash Deposits	92,497
2,891,387	**Total Investment Assets**	**2,766,549**
	Investment Liabilities	
	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)
(26,785)	**Total Investment Liabilities**	**(10,368)**
2,864,602	**Net Investment Assets**	**2,756,181**

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.

Note 16 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
Investments excl. Derivatives	**2,624,424**	**752,115**	**(686,581)**	**142,074**	**2,832,032**
Derivative Contract:					
Futures	293	2,161	(1,869)	25	610
Forward Currency Contracts	6,282	54,461	(42,402)	(33,381)	(15,040)
	2,630,999	**808,737**	**(730,852)**	**108,718**	**2,817,602**
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)
Total Net Investments	**2,737,732**			**108,957**	**2,864,602**
Profit/(Loss) on Disposal of Investment and changes in Market Value				**108,957**	

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
Investments excl. Derivatives	**2,832,032**	**190,602**	**(285,338)**	**(86,194)**	**2,651,102**
Derivative Contract:					
Futures	610	3,093	(3,718)	(358)	(373)
Forward Currency Contracts	(15,040)	188,657	(109,267)	(53,673)	10,677
	2,817,602	**382,352**	**(398,323)**	**(140,225)**	**2,661,406**
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)
Total Net Investments	**2,864,602**			**(140,111)**	**2,756,181**
Other changes in balances recognised in the Fund Account					
Profit/(Loss) on Disposal of Investment and changes in Market Value				**(140,111)**	

Note 17 Investments Analysed by Fund Manager

Market Value 31st March 2022 £000	%		Market Value 31st March 2023 £000	%
		Pooled Via London LCIV		
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
1,284,104		**Pooled total**	**1,266,847**	
		Direct		
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
1,580,498	**100.0**	**Direct total**	**1,489,334**	**100.0**
2,864,602		**Total Net Investments**	**2,756,181**	
		* 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 £000	%		Market Value 31st March 2023 £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
1,982,600	**69.2**	**Total Investment Assets**	**1,840,841**	**66.7**

Note 18 Stock Lending

Stock lending is normally prohibited in segregated investment management agreements.

Note 19 Property Holdings

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

Note 20 Analysis of Derivatives

Objectives and Policies for Holding Derivatives

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

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :
(1) the Allianz Global Investors bond mandate, largely to mitigate "off-benchmark" risks that are a feature of the manager's permitted investment approach
(2) in a strategic currency hedging programme ("Passive Currency 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 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2023 £000
		Assets			
0	0	UK Fixed Income Futures	< 1 Year	13,332	285
(32,023)	753	Overseas Fixed Income Futures	< 1 Year	0	0
	753	**Total Assets**			**285**
		Liabilities			
13,214	(143)	UK Fixed Income Futures	< 1 Year	0	0
0	0	Overseas Fixed Income Futures	< 1 Year	(25,958)	(658)
	(143)	**Total Liabilities**			**(658)**
	610	**Net Futures**			**(373)**

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.	**Error! Reference source not found.** 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)
Open Forward Currency Contracts at 31st March 2023					**11,224**	**(547)**
Net Forward Currency Contracts at 31st March 2023						**10,677**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2022					**2,290**	**(17,330)**
Net Forward Currency Contracts at 31st March 2022						**(15,040)**

Note 21 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 31st 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
Level 1			
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
Level 2			
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
Level 3			
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:

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

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

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.

Note 22 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
Financial Assets				
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
	272,408	**2,326,350**	**292,629**	**2,891,387**
Financial Liabilities				
Fair value through profit and loss				0
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)
	(2,408)	**(24,377)**	**0**	**(26,785)**
Total	**270,000**	**2,301,973**	**292,629**	**2,864,602**

	31st March 2023			
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial Assets				
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
	274,494	**2,089,642**	**402,413**	**2,766,549**
Financial Liabilities				
Fair value through profit and loss	0	0	0	0
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)
	(7,788)	**(2,580)**	**0**	**(10,368)**
Total	**266,706**	**2,087,062**	**402,413**	**2,756,181**

Transfers between Levels 1 and 2
No assets have transferred between levels during the reporting period.

Note 23 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
Value 31st March 2021	**115,999**	**103,457**	**219,456**
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**
Value 31st March 2022	**161,572**	**131,057**	**292,629**

	Infrastructure	Private Debt	Total
	£000	£000	£000
Value 31st March 2022	**161,572**	**131,057**	**292,629**
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**
Value 31st March 2023	**207,047**	**195,366**	**402,413**

Note 24 Classification of Financial Instruments

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

Note 25 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
	Financial Assets	
142,074	Fair value through profit and loss	(86,194)
287	Amortised cost - Realised gain on derecognition of assets	114
	Amortised cost - Unrealised gain	
142,361		**(86,080)**
	Financial Liabilities	
(33,356)	Fair value through profit and loss	(54,031)
(48)	Amortised cost - Realised gain on derecognition of assets	0
	Amortised cost - Unrealised gain	
(33,404)		**(54,031)**
108,957	**Net Gain/(Loss) on Financial Instruments**	**(140,111)**

Note 26 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 31st 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
Total Assets Invested excluding derivatives, other investments and cash	**2,832,032**		**3,268,658**	**2,395,407**

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
Total Assets Invested excluding derivatives, other investments and cash	**2,651,102**		**3,062,104**	**2,240,103**

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 Value 31st March 2022	Impact of 1%	
		Increase	Decrease
	£000	£000	£000
Asset Type			
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)
Total	**695,619**	**6,956**	**(6,956)**

	Asset Value 31st March 2023	Duration	Impact of 1%	
			Increase	Decrease
	£000		£000	£000
Asset Type				
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
Total	**631,305**		**(17,930)**	**17,930**

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.

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

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

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
Total	**1,981,019**		**2,179,121**	**1,782,917**

Assets Exposed to Currency Risk	Asset Value at 31st March 2023 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £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
Total	**1,988,402**		**2,187,243**	**1,789,561**

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

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.

Note 27 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 :

Year	Rate
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:

31st March 2019		31st March 2022
% p.a.	Assumptions as at	% p.a.
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:

31st March 2019	Life Expectancy from age 65	31st March 2022
	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.

Note 28 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
(546,798)	**Net Asset / (Liability)**	**466,435**

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
(686,064)	**Opening Net Asset / (Liability)**	**(546,798)**
(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
(546,798)	**Closing Net Asset / (Liability)**	**466,435**

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 % p.a.		31 March 2023 % 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
	Retiring Today:	
21.6	- Male	21.1
24.3	- Female	23.5
	Retiring in 20 years :	
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.

Note 29 Long Term Debtors

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

Note 30 Current Assets & Liabilities

Balance at 31st March 2022		Balance at 31st March 2023
£000		£000
	Current Assets	
10,008	Cash at Bank	**1,666**
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
1,882		**2,414**
	Current Liabilities	
(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)
(2,705)		**(2,655)**

Note 31 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
267	**4,243**		**tba**	**tba**

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

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

Note 32 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).

Note 33 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 (Director of Finance)
- Mr P Guilliotti (Assistant Director of Resources - 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 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
Total	**7,069**	**7,176**	**25,685**

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
Total	**6,743**	**7,060**	**23,661**

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 Note 17. 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.

Note 34 Key Management Personnel

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

Officers do not receive additional remuneration for their role in the Pension Fund. The charge made by Wandsworth Council for administering the Fund incudes the cost of officers and is disclosed in Note 12 above.

Note 35 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.

Note 36 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

Opinion

To follow

Annual Governance Statement 2022/23

To follow

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.