

# Wandsworth Council

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statement of accounts 2016 – 2017





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## **NARRATIVE REPORT TO ACCOMPANY THE STATEMENT OF ACCOUNTS**

### **INTRODUCTION**

The Council's Accounts for the year ended 31st March 2017 are set out in the statements which follow this report. The purpose of the Statement of Accounts is to summarise the financial position of the Council. The report gives a general outline of the main items reported within the accounts and gives a summary of the Council's overall financial performance for the year.

The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities in England, supported by International Financial Reporting Standards (IFRS). 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.

The statements and notes which form part of the financial statements are listed below in the order in which they appear in the accounts, with an explanation as to their purpose:

- **Comprehensive Income and Expenditure Statement (CIES)** - this consolidates all the gains and losses experienced by the Council during the financial year. As the Council does not have any shareholders (equity), the net gain or loss reconciles to the overall movement in net worth. It therefore shows, on an accounting basis, the make up of the increase of £80 million (increase of £388 million in 2015/16) in the Council's net worth during 2016/17.
- **Movement in Reserves Statement (MiRS)** - this is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It is analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. It shows how the Comprehensive Income and Expenditure surplus of £80 million (surplus of £388 million in 2015/16) is adjusted according to statute, leaving a surplus on Usable Reserves of £57 million (surplus of £29 million in 2015/16).
- **Balance Sheet** - this summarises the Council's financial position at 31st March in each year. The top half shows the assets and liabilities of the Council, its net worth. The bottom half explains how this net worth is split between usable and unusable reserves. The Council's net worth was £2,146 million at 31st March 2017 (£2,067 million at 31st March 2016).
- **Cash Flow Statement** - this summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year. The flows are separated into operating, investing and financing activities. The Council's cash and cash equivalents decreased by £25.2 million in 2016/17 (decreased by £33.4 million in 2015/16).
- **Notes to the Accounts** - the notes provide further details to ensure a true and fair view is presented of the Council's financial position. They present information about the basis of preparation of the financial statements and the specific accounting policies used. They present information required by the Code that is not presented elsewhere in the financial statements and provide information that is relevant to the understanding of the financial statements.

- **Expenditure and Funding Analysis (EFA)** - this new note for the 2016/17 accounts shows how annual expenditure has been used and funded from resources including government grants compared to the accounting presentation in following statements.
- **Collection Fund** - this reflects the Council's statutory duty as a billing authority to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.
- **Housing Revenue Account (HRA)** - this is a record of revenue expenditure and income relating to the Council's housing stock. The HRA ensures that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. A ring-fence is maintained on the HRA to ensure that rents cannot be subsidised from council tax or council tax subsidised from rents.
- **Pension Fund** – this includes information on investments, and income and expenditure relating to the Wandsworth Pension Fund, which is administered by the Council. At 31st March 2017 the Pension Fund had net assets of £2,183 million (£1,188 million at 31st March 2016).

## REVIEW OF THE YEAR

The Corporate Business Plan details the five 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:

- Deliver high quality, value for money services (cross-cutting objective)
- Improving opportunities for children and young people with an emphasis on early intervention and preventative work
- Making Wandsworth an attractive, safe, sustainable and healthy place
- Promoting health, independence and wellbeing for all adults with personalised and preventative care and support for adults in need
- Building a prosperous, vibrant and cohesive community

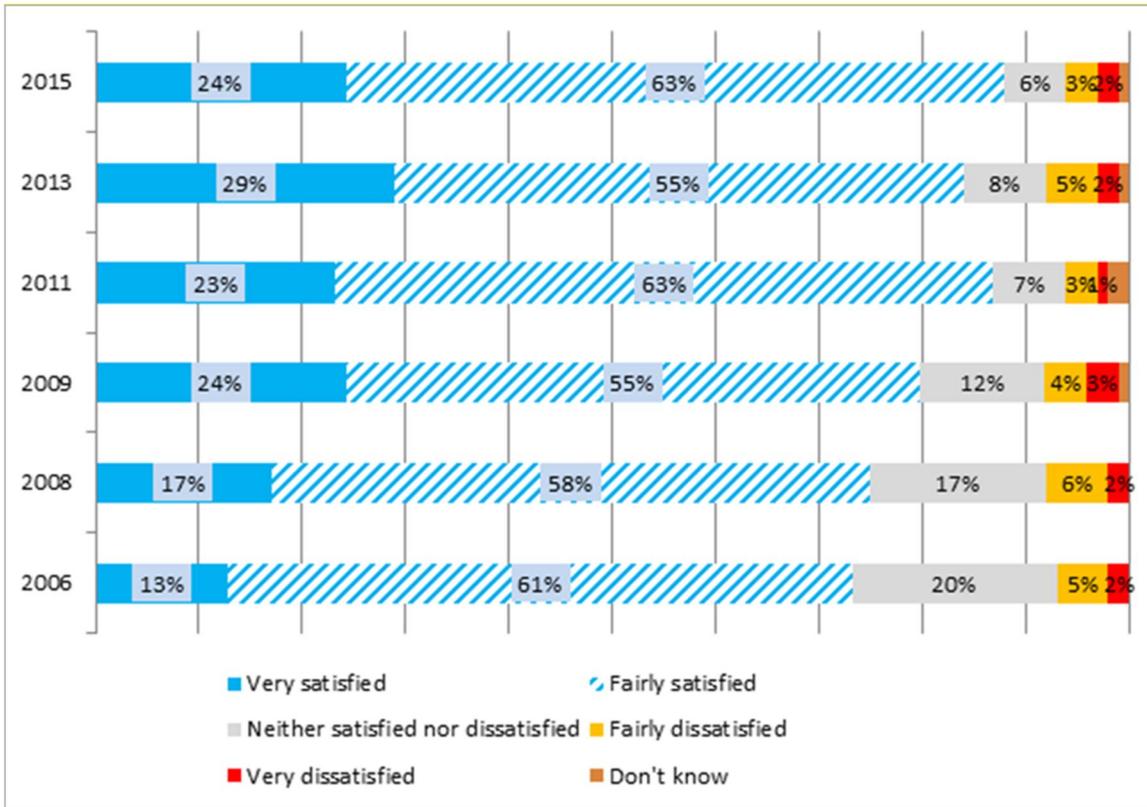
These corporate objectives are reviewed regularly and a suite of indicators is included within the Corporate Business Plan to help monitor performance and track progress on key issues for the Council. The Corporate Business Plan is reported to the Finance and Corporate Resources Overview and Scrutiny Committee in June/July each year and the latest committee report can be viewed on the Council's website at [www.wandsworth.gov.uk/cbp](http://www.wandsworth.gov.uk/cbp).

In addition, the Council publishes comparative benchmarked indicators across all of its services as part of its "open council" mandate, a copy of which can be found at [www.wandsworth.gov.uk/opencouncil](http://www.wandsworth.gov.uk/opencouncil).

And the Council publishes key satisfaction measures derived from its biennial residents' survey, which can be found at [http://www.wandsworth.gov.uk/downloads/download/1384/research\\_reports\\_residents\\_surveys](http://www.wandsworth.gov.uk/downloads/download/1384/research_reports_residents_surveys)).

The most recent report (2015) confirmed that the great majority (87%) of residents are satisfied with the way the Council is running the local area and 90% of residents are happy with their local neighbourhood as a place to live:

How satisfied or dissatisfied are you with the way the Council is running things?



## FINANCIAL PERFORMANCE

This section summarises the financial performance for the year.

### General Fund Revenue Budgets

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

|  | <b>Actual</b>  | <b>Revised</b> | <b>Variation</b> |
|--|----------------|----------------|------------------|
|  | <b>2016/17</b> | <b>2016/17</b> | <b>2016/17</b>   |
|  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>     |
| <b>Committee</b>   |                |                |                  |
| Adult Care and Health  | 74,544         | 73,469         | 1,075            |
| Education and Children's Services                            | 84,713         | 82,521         | 2,192            |
| Community Services   | 40,907         | 42,391         | (1,484)          |
| Finance and Corporate Resources                              | (11,472)       | 492            | (11,964)         |
| Housing  | 5,384          | 6,371          | (987)            |
| <b>Total – Committee Budgets</b>                             | <b>194,076</b> | <b>205,244</b> | <b>(11,168)</b>  |
| Non-service specific Government grants and other adjustments | (17,090)       | (16,333)       | (757)            |
| Contributions to/(from) reserves                             | (15,765)       | (22,332)       | 6,567            |
| <b>Net Expenditure</b>                                       | <b>161,221</b> | <b>166,579</b> | <b>(5,358)</b>   |
| <b>Funded by:</b>  |                |                |                  |
| Revenue Support Grant  | 46,957         | 46,957         | -                |
| Retained Business Rates                                      | 31,402         | 31,402         | -                |
| Business Rates Top-up  | 36,021         | 36,021         | -                |
| Collection Fund deficit                                      | (335)          | (335)          | -                |
| Council Tax Requirement                                      | 50,786         | 50,786         | -                |
| <b>Total</b>   | <b>164,831</b> | <b>164,831</b> | <b>-</b>         |
| <b>(Surplus)/Deficit for Year</b>                            | <b>(3,610)</b> | <b>1,748</b>   | <b>(5,358)</b>   |
| General Fund Balance at 31 March 2016                        | 15,748         | 15,748         | -                |
| <b>General Fund Balance at 31 March 2017</b>                 | <b>19,358</b>  | <b>14,000</b>  | <b>5,358</b>     |

The Council's net revenue expenditure on committee budgets was £11.2 million less than the revised budget. Further information on the Council's financial performance is reported to the Finance and Corporate Resources Overview and Scrutiny Committee in June/July of each year and the committee report can be viewed on the Council's website at <http://ww3.wandsworth.gov.uk/moderngov/ieDocHome.aspx>.

The underspend is mainly a result of higher housing benefit overpayment debt recognised in the accounts (-£3 million) and higher housing benefit subsidy than budgeted (-£2 million), unutilised SSA budgets where redundancy costs have been charged to service departments (-£5 million) which will be carried over into 2017/18, slippage of a variety of schemes (-£1 million), a one off return of balances from Western Riverside Waste Authority (WRWA) (-£1 million) and an underspend on homelessness prevention schemes (-£1 million), as well as staff vacancies as a result of the introduction of the SSA (-£1 million). These were partly offset by increased children's placement costs (+£2 million) and increased demand for home care (+£1 million).

Unspent resources generated from the overall underspend and from surplus balances in the General Fund have been set aside to be utilised in relation to new projects or slippage on existing projects (£5.6 million). The remainder of the underspend is £5.6 million and will be transferred to the Children's Services Recovery Reserve.

### Schools Budget

The schools budget was overspent by a net total of £0.02 million. This overspend will be carried forward to 2017/18 to be added to the Dedicated School Grant.

### Council Housing

The Housing Revenue Account (HRA) made a net surplus of £29.8 million. This was added to the HRA Revenue Reserve and the Major Repairs Reserve, increasing the balance to £322 million. The balance on the HRA Reserves is retained against the risk of future shortfalls on the ring-fenced account, to fund future expenditure on major repairs and to contribute towards the Council's regeneration plans.

### Capital Expenditure

Capital expenditure for the year, excluding expenditure on Council Housing was £57.963 million. The programme included significant expenditure on schools, including major work at the Borough's Primary Schools.

The outturn against planned budget was as follows:

|                                   | <u>Actual</u><br><u>2016/17</u><br>£000 | <u>Budget</u><br><u>2016/17</u><br>£000 | <u>Variance</u><br><u>2016/17</u><br>£000 |
|-----------------------------------|---|---|---|
| <u>Committee</u>                  |   |   |   |
| Adult Care and Health             | 451                                     | 2,044                                   | (1,593)                                   |
| Community Services                | 11,600                                  | 27,856                                  | (16,256)                                  |
| Education and Children's Services | 14,161                                  | 15,338                                  | (1,177)                                   |
| Finance and Corporate Resources   | 30,570                                  | 40,062                                  | (9,492)                                   |
| Housing and Regeneration          | 1,181                                   | 4,027                                   | (2,846)                                   |
| <b>Total - Committee Budgets</b>  | <b><u>57,963</u></b>                    | <b><u>89,327</u></b>                    | <b><u>(31,364)</u></b>                    |
| <b>Financed by:</b>               |   |   |   |
| Capital Receipts Applied          | 20,810                                  | 42,275                                  |   |
| Grants & Reimbursements           | 29,782                                  | 44,383                                  |   |
| Revenue Contributions             | 121                                     | 116                                     |   |
| Internal Borrowing                | 7,250                                   | 2,553                                   |   |
|                                   | <b><u>57,963</u></b>                    | <b><u>89,327</u></b>                    |   |

Capital receipts of £43.2 million were received during the year, in addition to capital grants and reimbursements of £49.8 million and Community Infrastructure Levy payments of £54.4 million. Some capital receipts are ring-fenced for affordable housing and some are reserved or paid to Government, but at the end of the year the Council held £50.8 million (£54.9 million 2015/16) of usable capital receipts.

## Treasury Management

During the course of 2016/17 the effect of the European Union Referendum and subsequent base rate reduction continued to make the management of the Council's investments challenging. Action continued to be taken to mitigate the effects of low interest rates, whilst continuing to safeguard investments. Investments began the year at £524 million and ended the year at £524 million. The average interest rate performance was 0.95% (0.98% 2015/16), exceeding the 7 day LIBID benchmark. External debt reduced from £156 million to £138 million reflecting the repayment of part of the PWLB long-term borrowing, which was taken up in March 2012 for the HRA subsidy buy-out.

## Collection Fund

The Collection Fund net deficit at the year-end was £3.8 million: a £3.3 million surplus in relation to council tax and a £7.1 million deficit in relation to business rates. This will be taken into account when setting the level of council tax in future years.

## Medium Term Financial Strategy

The Council's Medium Term Financial Strategy details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding and increasing demographic pressures on some services. The latest version of the MTF can be accessed via the Corporate Business Plan at [www.wandsworth.gov.uk/cbp](http://www.wandsworth.gov.uk/cbp).

A shared staffing arrangement with the London Borough of Richmond upon Thames commenced in October 2016 and has created one of the largest staff groups in local government, enabling both Councils to retain quality, specialisms and expertise which are more sustainable in a larger organisation. This shared approach is on target to save each Council an estimated £10 million and in the longer term will provide opportunities for further savings, for example from joint procurement.

## PENSIONS

The Council is legally obliged to offer guaranteed and inflation-proofed pension benefits to its employees other than teachers who are covered by a similar but separate Government scheme. The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits, with Council contributions fixed accordingly. The Fund's net assets increased by £994.2 million (83.6%) to £2.18 billion, reflecting the transfer in of assets from the former Richmond Pension Fund (£675.0 million), the net gain on investment income and the change in market value of investments (£342.2 million) and net costs of £23.1 million from dealings with fund members. The Fund's investments returned an average +11.9% a year over the last three years, better than the median return of +10.7%.

For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £385.7 million (26.8%) at 31st March 2017. This is £70.6 million more than the net liabilities of £315.1 million twelve months earlier. As an authority providing statutory services backed by taxation, the Council can take a longer term view than private firms about including such volatile valuations in its balance sheet. The impact on council tax, however, is dependent on the actuarial valuation of the pension fund carried out every three years. The aim is to achieve 100% funding and to provide stability in employer contribution rates by spreading any increases over a period of time. At the latest valuation, carried out in March 2016, the Wandsworth share of fund was assessed as being fully funded and the Council's contribution was reduced to 18% of pay from 1st April 2017. The next triennial valuation at March 2019 will take effect from 2020/21. The Council has set aside £43.4 million in its Pensions Resilience Reserve to offset the effects of the potential for

increased employer contributions which could be required in the event of the fund under-performing and to meet costs related to it's membership of other pension schemes.

## **CONCLUSION**

The Council's General Fund revenue, General capital and HRA financial positions remain sound, but the Council's policy of distinctively low tax remains under threat from the continuing real-terms decline in Government general grant, and potential implications arising from the volatility of the new arrangements for funding local authorities through localised business rates.

The main challenge in 2017/18 will be to continue delivering improvements in service delivery, with increasingly scarce resources. Based on current approved budgets and a forward projection of future budgets as detailed in the Medium Term Financial Strategy, the council will need to further reduce expenditure, increase income or apply reserves of £24.8 million by 2020/21 to avoid triggering a referendum on setting council tax.

## **STATEMENT OF RESPONSIBILITIES**

### **The Council's Responsibilities**

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 chief financial officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

### **The Chief Financial Officer's Responsibilities**

The chief financial officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The chief financial officer 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 at the end of the period to which it relates and its income and expenditure for that period, including any material events occurring after the balance sheet date, until the date of this certificate.



#### **M Maidment**

Director of Resources and Deputy Chief Executive  
21st September 2017



#### **Cllr M Heaster**

Chairman of the Audit Committee  
21st September 2017

## **ANNUAL GOVERNANCE STATEMENT 2016/17**

### **SCOPE OF RESPONSIBILITY**

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

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

Wandsworth Council has approved the revision of its code of corporate governance, to bring it in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the addendum (2012) to Delivering Good Governance in Local Government: Framework (CIPFA/Solace).

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

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

A copy of the code is available on the Council's website using the following link [www.wandsworth.gov.uk/corporategovernance](http://www.wandsworth.gov.uk/corporategovernance) or can be obtained from the Head of Audit. This statement explains how Wandsworth Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wandsworth Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Wandsworth Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

**Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.** The Council reviews its strategy and priorities on an annual basis and this is reflected in the current Corporate Business Plan, which sets out how it will achieve its objectives of delivering high quality, value for money services.

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

[http://www.wandsworth.gov.uk/info/200321/key\\_plans\\_strategies\\_and\\_policies/71/corporate\\_business\\_plan\\_cbp/2](http://www.wandsworth.gov.uk/info/200321/key_plans_strategies_and_policies/71/corporate_business_plan_cbp/2)

**Reviewing the authority's vision and its implications for the authority's governance arrangements.** The Corporate Business Plan is updated annually. Each Overview and Scrutiny Committee reviews the progress that has been made in the previous year's key issues in relation to that Committee, and agrees the objectives and issues for the current year. Key Issues have been added or retained where they reflect, for example, major areas of service developments, new legislative requirements or where there have been significant performance issues raised during the year.

**Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.** The Council has a strong performance management culture and system. It sets targets for achievement via its regime of Key Issues, top line performance indicators, policy items, and local and national performance indicators. Officer monitoring is rigorous with regular reviews of performance at both Departmental and Directors' Board level.

Wandsworth Council uses a variety of performance indicators to monitor how well its services are performing in meeting the needs of our service users and to measure their efficiency and value for money.

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

Challenging targets are also set for each indicator. The Council has a policy of striving to ensure that the services we provide perform amongst the best in London, and our targets are set accordingly.

The overarching objective of a distinctively low council tax is the main driver for value for money, together with the Council's procurement strategy that centres around the regular testing of the market place for services, supplies and works using, for the most part, the lowest price within the most economically advantageous tender award criteria.

Following the Ofsted inspection of Council's services for children in need of help and protection and children looked after, report published February 2016, a 12 month

improvement plan was set-out with an immediate focus on improving social work practice and strengthening management oversight to reduce risk and ensure children were safe. After 12 months, 63 actions had been completed and were rated green, 44 were rated amber and 13 were rated red. A number of significant actions have been implemented which has resulted in four positive Ofsted monitoring visits which have all found evidence of improvements in practice and management oversight across the services inspected. A refreshed action plan has been developed to deliver the ambitious vision for Children's Social Care and ensure that the pace of change seen by Ofsted continues over the next 12 months.

Internal Audit made provision in the 2016/17 plan for a significant number of days to be allocated to the task of supporting the Children's Services Department in achieving the outcomes set out in the Ofsted Statement of Action and joint working was undertaken on the Safeguarding Standards Service and Looked After Children health assessments.

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.** Executive, non-executive, scrutiny and officer functions are defined in the Council's Constitution. It includes details of how decisions are made, including a scheme which sets out how powers have been delegated to officers. This scheme is regularly reviewed and updated to reflect relevant changes to the allocation of powers, revised departmental structures and operating procedures, especially given the recent pace of change in the structure of the Council as an organisation as the SSA develops.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.** The Council recognises that good governance is underpinned by the standards and values of its Members and Officers.

The standards and behaviour that is expected are clearly defined. The Council has agreed a standards framework for Members, which incorporates a local Code of Conduct, terms of reference for a standalone Standards Committee and a new complaints procedure, to ensure that the current high level of standards is maintained.

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

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

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.** The Constitution, that contains the specified items, is for the most part maintained up to date. The prescribed items are regularly reviewed and updated. The local decision making process and scrutiny role are adequately documented and operated effectively including ensuring that there is input into reports from all corporate professionals including both legal and financial advice.

The Council's Risk Management Strategy is effective and well embedded into corporate management processes. A combination of Corporate Risk Specialists and Heads of Service reviews maximises the opportunity to identify key risks of the Council achieving its objectives.

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

**Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.** The Audit Committee operates in accordance with the CIPFA guidance entitled 'Audit Committees – Practical Guidance for Local Authorities'. The Committee normally meet three times a year and provide an independent assurance on the Council's governance arrangements. When they are not able to meet the relevant papers are circulated to all Committee Members for comment and Chairman's authorisation via the Standing Order process.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.** The Council has in place the key officers namely the Chief Executive, Director of Resources and Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to allow them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Director of Resources are in line with CIPFA's statement on 'The Role of the Chief Financial Officer'. In addition, the organisation and deployment of their staff and report circulation protocols allow their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the South London Legal Partnership as required.

**Whistle-blowing and for receiving and investigating complaints from the public.** The Council's Whistleblowing Policy and Procedure was revised in October 2016 for the commencement of the Shared Staffing Arrangement with Richmond Council to ensure that it remains effective in terms of reports of possible fraud or financial regularities. The Council's complaints system is effective with numbers of complaints and reasons for complaints monitored by Directors and reported to individual Overview and Scrutiny Committees, together with an Annual Report to the Finance and Corporate Resources Overview and Scrutiny Committee.

**Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.** The development needs for Members are seen to be adequately addressed both in terms of induction training and focussed continuous training. Officers have a formal appraisal process and training needs are adequately identified and catered for. The Council acknowledges the need to ensure that there are effective succession plans in place as this is key to the continued level of service delivery.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.** The Council has a well developed suite of tools for consulting stakeholders and residents, with information provided on the Council's website which also provides regular feedback on meetings and publishes regular magazines and an annual report. The Council's web pages and its borough magazine ("Brightside") are available in a number of formats and help is

available for stakeholders whose first language is not English. The online consultation portal has been used extensively during the year, receiving over 10,000 responses on a variety of issues. Other methods are frequently used alongside online consultation, such as face to face, telephone and paper forms, thereby ensuring that the widest range of the community are engaged on the issues. The Council has a commitment to holding open meetings and Committee Reports, Agendas and Minutes are published on the internet.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council has entered into a Shared Staffing Arrangement with Richmond Council and in doing so developed an Inter Authority Agreement between the two authorities and the Council has updated its Constitution to ensure that the governance arrangements are effective.

The Council's main partnerships include Audit & Fraud, Community Safety, Legal, Pensions, and the Health and Wellbeing Board and all are operated through partnership agreements and approved by the relevant Committee.

## **REVIEW OF EFFECTIVENESS**

Wandsworth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Local Government and Public Involvement in Health Act 2007 required all English local authorities to reconsider the "executive arrangements" they have adopted for decision-making. For many years, Wandsworth has had in place the executive arrangement known as the "strong leader" model, i.e. a Leader who appoints the executive Members. Therefore, there was little substantive difference between the existing arrangements and the comparable model allowed under the 2007 Act. There have been no issues identified that have given any cause to alter the current arrangements.

**The Authority.** The Council's Constitution sets out the Member-level decision making structure adopted by the Council, together with the Terms of Reference of each of the Overview and Scrutiny Committees and the regulatory and other committees and their sub-committees. It includes a definition of the roles and responsibilities of Councillors and the statutory Scheme of Delegations to Officers.

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

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

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

**The Executive.** The Council is responsible for the overall budget and policy framework although the Executive is the main decision making body for most functions and services within the framework. It sets out the Council's core objective through the approval of the Council's Business Plan, which incorporates priorities for improvement and the Medium Term Financial Strategy. The Council's constitution details those functions for which it has sole discretion and those which are shared with full Council.

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

**The Audit Committee.** The Audit Committee has considered a number of reports to ensure that the Council's governance arrangements including internal control are effective and operated robustly and that there are timely and effective action plans in place to address them. In particular, it has carried out its annual review of the Council's Risk Management Strategy and found it to be fit for purpose and operated robustly. It approves the Council's Accounts after having considered reports from both Internal and External Audit.

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

**The Standards Committee.** The standard of conduct by Members at Wandsworth remains very high with only a small number of complaints in the last decade with none being upheld in 2016/17 and it is anticipated that complaints will remain at a low level. The Council has a local Code for Members and retains a standalone Standards Committee albeit that it will meet on a less frequent basis.

**Internal Audit.** On the basis of Internal Audit activity, the Council's governance arrangements including internal control are deemed to be generally sound and agreed action plans are in place with departments in order to address all the findings. Robust review mechanisms are in place that enable the Committee to take reasonable assurance that the Council's governance arrangements including internal control are effective and are operated vigorously. They contribute to the achievement of the Council's overarching objectives whilst nevertheless both identifying areas for improvement and monitoring the implementation of agreed corrective actions, with key items being reported to the Audit Committee.

**The Director of Resources.** By law, under Section 151 of the Local Government Act 1972, and as set out in the Council's Constitution, the Director of Resources has a number of control responsibilities. This role, which is supported by Members and Directors, and that of officers within the Resources Department is to ensure that the Council has sound controls for the administration of its financial affairs. The Council has undertaken significant service reviews and has worked closely with colleagues in Richmond Council in order to ensure that there will continue to be effective controls under the Shared Staffing Arrangement. Proposed changes have been reviewed by the Programme Board, Members and Finance Officers to ensure that there will be effective frameworks for its functions, providing control for expenditure and income, incentives for economy, and contexts for considering potential policy developments will be maintained.

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

## **CONCLUSION**

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

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

## **CERTIFICATE**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance is available on the Council's website, Audit Committee Paper No. 17-263), and action plans to address weaknesses and ensure continuous improvement of the system in place.

### **Significant governance issues**

#### **(a) ICT business continuity planning**

The Council's dependency on IT systems continues to increase as it looks to achieve further efficiency through increased use of on-line access to services and the expansion of remote working. The significance has increased further with the implementation of the Shared Staffing Arrangement with Richmond Council as IT solutions will need to be further developed to facilitate access to systems from multiple sites.

The efficient delivery of Council Services is highly dependent upon robust and effective IT solutions. This is increased with the commitment to provide increased on-line, real-time services for residents and service users with a shared workforce that requires effective remote working solutions from multiple sites to facilitate both Richmond and Wandsworth Councils.

### **(b) Devolved Management Organisations**

In recent years the majority of audits receiving Limited Assurance opinions related to Devolved Management Organisations (DMOs) with 4 of the 12 Limited Assurance Audits relating to schools and residential management organisations. DMOs have a greater level of autonomy, with delegated responsibility over areas of high risk such as financial management and human resources, which has resulted in a higher than average breach of controls. Two of the four DMO Limited Assurance Audits relate to maintained schools and Internal Audit continues to work closely with officers in the Children's Services Department and schools themselves to improve internal control which has assisted in reducing the number of Limited Assurance Audits (last year 9 schools received a Limited Assurance Audit). This can involve partnership working as a member of task groups or liaising directly with school Senior Leaders, Governors and Children's Services colleagues as appropriate.

### **(c) Direct Payments**

The Council supports the use of Direct Payments to enable individuals to control their own care by exerting choice and control in determining how they would like their care needs to be met. However, as with Devolved Management Organisations the services provided through direct payments are not necessarily subject to the same regulatory regime as traditional care services.

The Adult Social Services Department has worked closely with Internal Audit in order to minimise the risks however the procedures that have been put in place have not always been followed. Structural and procedural changes are being made to the way that Direct Payments are administered in the light of the SSA and this should result in a more co-ordinated approach to monitoring their use.

### **(d) Data Security**

The challenges to effective data security management require constant review especially at a time when the Council is undergoing a period of significant change. The implementation of the Shared Staffing Arrangement (SSA) with Richmond Council adds another dimension as the data security arrangements within each authority are aligned. The SSA is committed to achieving ISO27001 Certification across all services and the assessment process will be phased in over the next 18 months.

The Council is at risk of significant financial penalties and reputational damage should personal data be put at risk of inappropriate disclosure or misuse whether deliberately or accidentally. The Council's use of data needs to be reviewed with significant legislative changes being introduced through the implementation of the General Data Protection Regulations (GDPR).

**(e) Change Management**

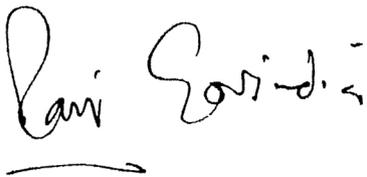
The SSA went live on the 1st October 2016 and to date no significant issues have arisen. Service Directors are continuing with their plans to integrate the services however this cannot be fully achieved until the IT and accommodation strategies have been fully implemented. The SSA Programme Board continues to meet in order to monitor the progress being made and implement any changes necessary to ensure integration of services happen in a timely manner and impact on services is minimalised.

**(f) OFSTED Inspection – Children’s Services**

The Council has acknowledged the weaknesses identified in the Ofsted inspection, setting out a 12 month improvement plan with an immediate focus on improving social work practice and strengthening management oversight to reduce risk and ensure children were safe. After 12 months, a number of significant actions have been implemented which has resulted in four positive Ofsted monitoring visits which have all found evidence of improvements in practice and management oversight across the services inspected. A refreshed action plan has been developed to deliver the ambitious vision for Children’s Social Care and ensure that the pace of change seen by Ofsted continues over the next 12 months.

**(g) Contract Monitoring**

The Council continues to utilise external parties to provide its services and the first significant SSA service and system contract (Transactional Services) went live in April 2017. Unsatisfactory service delivery through partners and contractors has been identified as a corporate risk thereby ensuring that Service Manager continually review their controls and where appropriate reviews will be undertaken by Internal Audit. As such this will remain a key risk that needs to be managed and monitored.



**Cllr Govindia**  
Leader of the Council  
On behalf of Wandsworth Council



**P.Martin**  
Chief Executive

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
WANDSWORTH BOROUGH COUNCIL**

**Opinion on the Council's financial statements**

We have audited the financial statements of Wandsworth Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; Cash Flow Statement; and related notes 1 to 44; the Collection Fund Statement and the related notes 1 to 2; and the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

**Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 9, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Wandsworth Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

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

We have nothing to report in these respects.

## **Conclusion on Wandsworth Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether Wandsworth Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wandsworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, Wandsworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

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

*Helen Thompson (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton  
27 September 2017*

The maintenance and integrity of Wandsworth Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Opinion on the pension fund financial statements**

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities set out on page 9, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

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

We have nothing to report in these respects

*Tim Sadler (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton  
27 September 2017*

The maintenance and integrity of Wandsworth Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

|   | <u>2016/17</u> |                             |                        | <u>2015/16</u>      |                             |                        |                     |
|---|----------------|-----------------------------|------------------------|---------------------|-----------------------------|------------------------|---------------------|
|   | Notes          | <u>Expenditure</u><br>£'000 | <u>Income</u><br>£'000 | <u>Net</u><br>£'000 | <u>Expenditure</u><br>£'000 | <u>Income</u><br>£'000 | <u>Net</u><br>£'000 |
|   |                |                             |                        | (Restated)          | (Restated)                  | (Restated)             |                     |
| Adult Care and Health   |                | 129,350                     | (53,618)               | 75,732              | 127,404                     | (53,013)               | 74,391              |
| Community Services  |                | 128,824                     | (90,344)               | 38,480              | 115,206                     | (78,696)               | 36,510              |
| Education and Children's Services                             |                | 296,911                     | (198,260)              | 98,651              | 263,450                     | (197,753)              | 65,697              |
| Finance and Corporate Resources                               |                | 365,396                     | (207,623)              | 157,773             | 233,874                     | (228,049)              | 5,825               |
| Housing and Regeneration                                      |                | 27,299                      | (20,623)               | 6,676               | 24,602                      | (17,166)               | 7,436               |
| Housing Revenue Account                                       |                | 106,550                     | (141,063)              | (34,513)            | 82,048                      | (142,433)              | (60,385)            |
| <b>Deficit on Continuing Operations</b>                       |                | <b>1,054,330</b>            | <b>(711,531)</b>       | <b>342,799</b>      | <b>846,584</b>              | <b>(717,110)</b>       | <b>129,474</b>      |
| Other operating income  | 9              |                             |                        | (20,457)            |                             |                        | (14,475)            |
| Financing and investment (income) and expenditure             | 10             |                             |                        | 5,258               |                             |                        | 1,629               |
| Taxation and non-specific grant income                        | 11             |                             |                        | (287,460)           |                             |                        | (226,320)           |
| <b>Deficit or (Surplus) on Provision of Services</b>          |                |                             |                        | <b>40,140</b>       |                             |                        | <b>(109,692)</b>    |
| Surplus on revaluation of fixed assets                        | 25             |                             |                        | (42,662)            |                             |                        | (228,352)           |
| Surplus on revaluation of available for sale financial assets |                |                             |                        | 29                  |                             |                        | (122)               |
| Actuarial (gains)/losses on pension assets/liabilities        | 25/40          |                             |                        | (77,128)            |                             |                        | (49,736)            |
| <b>Other Comprehensive Income and Expenditure</b>             |                |                             |                        | <b>(119,761)</b>    |                             |                        | <b>(278,210)</b>    |
| <b>Total Comprehensive Income and Expenditure</b>             |                |                             |                        | <b>(79,621)</b>     |                             |                        | <b>(387,902)</b>    |

## **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 other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**MOVEMENT IN RESERVES STATEMENT**

|   | <u>General Fund</u><br><u>Balance</u><br>£'000 | <u>Earmarked GF Reserves</u><br>£'000 | <u>Housing Revenue Account</u><br>£'000 | <u>Earmarked HRA Reserves</u><br>£'000 | <u>Capital Receipts Reserve</u><br>£'000 | <u>Capital Grants Unapplied</u><br>£'000 | <u>Total Usable Reserves</u><br>£'000 | <u>Total Unusable Reserves</u><br>£'000 | <u>Total Authority Reserves</u><br>£'000 |
|---|--|---------------------------------------|---|--|--|--|---------------------------------------|---|--|
| <b>Balance at 31st March 2015</b>   | 26,946   | 189,500                               | 114,053                                 | 151,973                                | 66,647                                   | 35,254                                   | 584,373                               | 1,094,470                               | 1,678,843                                |
| <b>Movement in reserves during 2015/16</b>  |  |                                       |   |  |  |  |                                       |   |  |
| Surplus or deficit on provision of services                                       | 35,385   |                                       | 74,307                                  |  |  |  | 109,692                               |   | 109,692                                  |
| Other comprehensive income and expenditure  | -  |                                       |   |  |  |  | -                                     | 278,210                                 | 278,210                                  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | 35,385   |                                       | 74,307                                  |  |  |  | 109,692                               | 278,210                                 | 387,902                                  |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | (37,092)                                       | -                                     | (66,464)                                | 18,197                                 | (11,779)                                 | 16,724                                   | (80,414)                              | 80,414                                  | -  |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>             | (1,707)  | -                                     | 7,843                                   | 18,197                                 | (11,779)                                 | 16,724                                   | 29,278                                | 358,624                                 | 387,902                                  |
| Transfers to/from earmarked reserves (Note 8)                                     | (9,491)  | 9,491                                 | -                                       | -                                      | -  | -  | -                                     | -                                       | -  |
| <b>Increase/(Decrease) in year</b>  | (11,198)                                       | 9,491                                 | 7,843                                   | 18,197                                 | (11,779)                                 | 16,724                                   | 29,278                                | 358,624                                 | 387,902                                  |
| <b>Balance at 31st March 2016 carried forward</b>                                 | 15,748   | 198,991                               | 121,896                                 | 170,170                                | 54,868                                   | 51,978                                   | 613,651                               | 1,453,094                               | 2,066,745                                |
| <b>Movement in reserves during 2016/17</b>  |  |                                       |   |  |  |  |                                       |   |  |
| Surplus or (deficit) on provision of services                                     | (112,321)                                      |                                       | 72,181                                  |  |  |  | (40,140)                              |   | (40,140)                                 |
| Other comprehensive income and expenditure  | -  |                                       |   |  |  |  | -                                     | 119,761                                 | 119,761                                  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | (112,321)                                      |                                       | 72,181                                  |  |  |  | (40,140)                              | 119,761                                 | 79,621                                   |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 91,026   | -                                     | (63,199)                                | 20,824                                 | (4,020)                                  | 52,142                                   | 96,773                                | (96,773)                                | -  |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>             | (21,295)                                       | -                                     | 8,982                                   | 20,824                                 | (4,020)                                  | 52,142                                   | 56,633                                | 22,988                                  | 79,621                                   |
| Transfers to/from earmarked reserves (Note 8)                                     | 24,905   | (24,905)                              | -                                       | -                                      | -  | -  | -                                     | -                                       | -  |
| <b>Increase/(Decrease) in year</b>  | 3,610  | (24,905)                              | 8,982                                   | 20,824                                 | (4,020)                                  | 52,142                                   | 56,633                                | 22,988                                  | 79,621                                   |
| <b>Balance at 31st March 2017 carried forward</b>                                 | 19,358   | 174,086                               | 130,878                                 | 190,994                                | 50,848                                   | 104,120                                  | 670,284                               | 1,476,082                               | 2,146,366                                |

## **BALANCE SHEET**

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

It has been necessary to restate the previous years' figures as there has been a correcting adjustment made between Cash and Cash Equivalents and Long-term Investments due to £24.7 million of long-term investments being incorrectly classified as cash and cash equivalents. Corresponding adjustments have also been made to the Narrative Report, Cash Flow Statement and Notes 16, 20, 26 and 28.

**BALANCE SHEET**

|                                    |              | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000<br>(Restated) |
|------------------------------------|--------------|---------------------------------|---|
|                                    | <u>Notes</u> |                                 |   |
| Property, Plant and Equipment      | 12           | 2,130,194                       | 2,056,491                                     |
| Heritage Assets                    | 13           | 748                             | 748   |
| Investment Property                | 14           | 49,329                          | 34,906  |
| Intangible Assets                  | 15           | 25                              | 58  |
| Assets Held for Sale               |              | -                               | -   |
| Long-term Investments              | 16           | 106,675                         | 53,756  |
| Long-term Debtors                  |              | 9,702                           | 18,562  |
| <b>Long-term Assets</b>            |              | <b>2,296,673</b>                | <b>2,164,521</b>                              |
| Short-term Investments             |              | 373,837                         | 406,965                                       |
| Assets Held for Sale               | 21           | 12,507                          | 12,649  |
| Inventories                        | 17           | 1,107                           | 2,094   |
| Short-term Debtors                 | 19           | 130,489                         | 85,077  |
| Cash and Cash Equivalents          | 20           | 50,208                          | 75,388  |
| <b>Current Assets</b>              |              | <b>568,148</b>                  | <b>582,173</b>                                |
| Bank Overdraft                     |              | -                               | -   |
| Short-term Borrowing               |              | 17,846                          | 17,999  |
| Short-term Creditors               | 22           | 170,277                         | 181,024                                       |
| Provisions                         | 23           | 11,668                          | 15,777  |
| <b>Current Liabilities</b>         |              | <b>199,791</b>                  | <b>214,800</b>                                |
| Long-term Provisions               | 23           | 9,340                           | 8,545   |
| Long-term Borrowing                |              | 120,412                         | 137,614                                       |
| Net Pensions Liability             | 25/40        | 385,711                         | 315,118                                       |
| Other Long-term Liabilities        |              | -                               | -   |
| Capital Grants Receipts in Advance | 36           | 3,201                           | 3,872   |
| <b>Long-term Liabilities</b>       |              | <b>518,664</b>                  | <b>465,149</b>                                |
| <b>Net Assets</b>                  |              | <b>2,146,366</b>                | <b>2,066,745</b>                              |

|  |              | <u>31st March 2017</u> | <u>31st March 2016</u> |
|--|--------------|------------------------|------------------------|
|  | <u>Notes</u> | <u>£'000</u>           | <u>£'000</u>           |
| <b>Usable Reserves</b>                           |              |                        |                        |
| General Fund Balance                             |              | 19,358                 | 15,748                 |
| Housing Revenue Account                          |              | 130,878                | 121,896                |
| Capital Receipts Reserve                         |              | 50,848                 | 54,868                 |
| Capital Grants Unapplied Account                 |              | -                      | -                      |
| Housing Major Repairs                            |              | 190,994                | 170,170                |
| Renewals Fund                                    |              | 29,275                 | 28,941                 |
| Insurance Reserve                                |              | 7,053                  | 7,053                  |
| Specific Grant                                   |              | 1,000                  | 2,400                  |
| Finite Services Fund                             |              | 1,410                  | 1,410                  |
| Employer's Pensions Contributions Reserve        |              | -                      | 39,500                 |
| Enhanced Pension Fund                            |              | -                      | 5,137                  |
| Pensions Resilience Reserve                      |              | 43,424                 | -                      |
| Education Balances                               | 35           | 14,118                 | 24,947                 |
| Services Transformation Fund                     |              | 17,484                 | 22,484                 |
| Business Rate Volatility Reserve                 |              | 7,000                  | 6,446                  |
| LPFA Deficit Funding Reserve                     |              | -                      | 6,667                  |
| Wandsworth CIL Receipts                          |              | 104,120                | 51,978                 |
| Financial Resilience Reserve                     |              | 32,338                 | 33,138                 |
| Children's Services Recovery Reserve             |              | 15,468                 | 14,500                 |
| DSO Reserves                                     |              | 5,090                  | -                      |
| Other Balances                                   |              | 426                    | 6,368                  |
| <b>Unusable Reserves</b>                         |              |                        |                        |
| <u>Revaluation balances</u>                      |              |                        |                        |
| Revaluation reserve                              | 25           | 505,204                | 473,010                |
| Available for Sale Financial Instruments Reserve |              | 522                    | 551                    |
| <u>Adjustment Accounts</u>                       |              |                        |                        |
| Pensions Reserve                                 | 25/40        | (385,711)              | (315,118)              |
| Capital Adjustment Account                       | 25           | 1,343,043              | 1,276,728              |
| Deferred Capital Receipts                        | 25           | 17,338                 | 23,452                 |
| Collection Fund Adjustment Account               | 25           | (162)                  | (1,432)                |
| Accumulating Absences Account                    | 25           | (4,152)                | (4,097)                |
| <b>Total Reserves</b>                            |              | <b>2,146,366</b>       | <b>2,066,745</b>       |

These Financial Statements replace the unaudited Financial Statements certified by the Chief Financial Officer on 30th June 2017.



**M Maidment**

Director of Resources and Deputy Chief Executive  
21st September 2017

**CASH FLOW STATEMENT**

The Cash Flow 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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

|   | <u>Notes</u> | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000<br>(Restated) |
|---|--------------|-------------------------|---------------------------------------|
| Net (deficit)/surplus on the provision of services  |              | <b>(40,140)</b>         | 109,692                               |
| Adjust net (deficit)/surplus on the provision of services for non-cash movements  | 26           | <b>154,442</b>          | 54,625                                |
| Adjust for items included in the net (deficit)/surplus on the provision of services that are investing and financing activities | 26           | <b>(149,807)</b>        | (107,436)                             |
| Net cash flows from Operating Activities  | 26           | <b>(35,505)</b>         | 56,881                                |
| Investing Activities  | 28           | <b>26,372</b>           | (66,346)                              |
| Financing Activities  | 29           | <b>(16,047)</b>         | (23,938)                              |
|   |              | <b>10,325</b>           | (90,284)                              |
| Net (decrease) in cash and cash equivalents   |              | <b>(25,180)</b>         | (33,403)                              |
| Cash and cash equivalents at the beginning of the reporting period  | 20           | <b>75,388</b>           | 108,791                               |
| <b>Cash and cash equivalents at the end of the reporting period</b>   | 20           | <b>50,208</b>           | 75,388                                |

## **NOTES TO THE ACCOUNTS**

### **1. Statement of accounting policies**

#### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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 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:

- 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue income and expenditure have 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, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 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 mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

### 1.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

### 1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 1.6 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 in the Movement in Reserves Statement for the difference between the two.

## 1.7 Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The National Health Service Pension Scheme, administered by NHS Pensions.
- The Local Government Pension Scheme, 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 schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they are defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health line is charged with the employer's contributions payable to NHS Pensions in the year

### The Local Government Pension Scheme

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

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.2% based on the indicative rate of return on the Merrill Lynch AA rated corporate bond curve. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as the standard assumption.

The assets of the pension fund are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement 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 Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- 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 Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 Local Government Pension Scheme.

#### 1.8 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.

## 1.9 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. Annual charges are made to the Financing and Investment Income and Expenditure Statement for interest payable.

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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables 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 Comprehensive Income and Expenditure Statement 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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 Comprehensive Income and Expenditure Statement.

#### Available-for-sale assets

These are measured in the Balance Sheet at fair value and comprise Covered Bonds, Certificates of Deposit and some Money Market Funds. Under the fair value hierarchy they are recurring and measured at Level 1 using quoted prices in active markets for identical assets.

#### 1.10 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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 Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy commenced on 1st 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 will be used to fund a number of infrastructure projects (these 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 Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure, this includes up to 5% of the income which can be retained to cover administrative costs.

In addition the Council collects a separate CIL on behalf of the Mayor of London. This is payable to Transport for London, except for a 4% administration fee which is credited to the Comprehensive Income and Expenditure Statement.

### 1.11 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.

### 1.12 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 Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement. Any

gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.13 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.

### 1.14 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. A review of the portfolio was carried out during 2015/16 and several properties were transferred to the operational portfolio.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end, unless the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Investment Properties have been valued by the Council's valuation contractor Wilks, Head, Eve 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.

### 1.15 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### 1.16 Leases

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

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

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

#### **The Authority as Lessee**

##### Finance Leases

No finance leases are currently held.

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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 Authority as Lessor**

##### Finance Leases

No finance leases are currently provided.

##### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement. 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.

### 1.17 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
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

- infrastructure and community assets – depreciated historical cost
- dwellings –determined using the basis of existing use value for social housing (EUV-SH)
- operational assets – determined using the basis of existing use value or depreciated replacement cost
- surplus assets - fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair 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 fair value at the year-end, but as a minimum every five years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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

- Valuations of Housing Revenue Account dwellings, garages and hostel accommodation have been carried out by members of the Royal Institute of Chartered Surveyors 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 Royal Institute of Chartered Surveyors employed by Wilks Head and Eve in accordance with the "Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors". 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.
- The valuation dates and the stock composition dates for the exercise were as follows:

| <u>Portfolio</u> | <u>Valuation Dates</u> | <u>Stock Composition</u><br><u>Date</u> |
|------------------|------------------------|---|
| Operational      | 31st March 2017        | 31st March 2017                         |
| Held for Sale    | 31st March 2017        | 31st March 2017                         |
| Residential      | 31st March 2017        | 31st March 2017                         |
| Investment       | 31st March 2017        | 31st March 2017                         |

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 Comprehensive Income and Expenditure Statement.

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

### Impairment

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

Where impairment losses are identified, they are accounted for 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 Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition, and where an asset's net book value falls below £25,000, the remaining depreciation is charged to the Comprehensive Income and Expenditure Account and the item is removed from the Balance Sheet.

Depreciation is calculated on the following bases:

- Operational property assets – assets with an opening Balance Sheet depreciable value of more than £1 million are depreciated in accordance with the estimated life of the major components, and those with a value of less than £1 million to reflect the overall estimated average useful life of the asset.
- Housing Revenue Account Assets – the Major Repairs Allowance (MRA) is used as a proxy for depreciation.
- vehicles, plant and equipment – reducing balance method (vehicles 20% p.a., plant and equipment 25% p.a.), reflecting the expected life of the asset.
- infrastructure – straight-line allocation over 20 years.

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

### 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA Right to Buy disposals is payable to the government under pooling arrangements. The balance of receipts is required to be credited to the Capital Receipts Reserve, 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 Movement in Reserves Statement.

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 Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### 1.18 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 Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

##### Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase which will last until 31st

March 2019. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

### 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.

### 1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

### 1.20 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.
- The Council has a 100% owned subsidiary, Wandsworth BC Trading Limited. However the turnover of the subsidiary is not sufficiently material to warrant producing group accounts. In order to ensure compliance with the Code, a narrative disclosure has been made at Note 37.

## 3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

### Property, Plant and Equipment

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.

### Provisions

At 31st March 2017, the Council had a provision of £7.4 million for insurance claims based on claims lodged with, and values estimated by the Council's insurer. The Council is responsible for funding claims up to high levels of excesses as shown in the note on Provisions. It is not certain that all claims for past incidents have been received by the Council. An increase in claims, either in value or volume, in excess of the provision made would be met by amounts set aside in the Insurance Reserve. The adequacy of the amounts set aside, either as a provision or reserve, are subject to external actuarial review on a regular basis.

### **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 £57.1 million. However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pensions liability had increased by £70.6 million as a result of estimates being corrected as a result of experience and updating of the assumptions.

### **Arrears**

At 31st March 2017, 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.

#### 4. Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. A split of this balance between the General Fund and the Housing Revenue Account is provided in the Movement in Reserves Statement.

|  | <u>2016/17</u>  |                                   |  |   | <u>2015/16</u>  |                          |  |   |
|--|---|-----------------------------------|--|---|---|--------------------------|--|---|
|  | <u>Net Expenditure Chargeable to the General Fund and HRA Balances</u><br>£'000 | <u>Other Adjustments</u><br>£'000 | <u>Adjustments between the Funding and Accounting Basis</u><br>£'000 | <u>Net Expenditure in the Comprehensive Income and Expenditure Statement</u><br>£'000 | <u>Net Expenditure Chargeable to the General Fund and HRA Balances</u><br>£'000 | <u>Other Adjustments</u> | <u>Adjustments between the Funding and Accounting Basis</u><br>£'000 | <u>Net Expenditure in the Comprehensive Income and Expenditure Statement</u><br>£'000 |
| Adult Care and Health  | 74,544  | (599)                             | 1,787  | 75,732  | 73,384  | (897)                    | 1,904  | 74,391  |
| Community Services   | 40,907  | (2,992)                           | 565  | 38,480  | 41,465  | (3,573)                  | (1,382)  | 36,510  |
| Education and Children's Services                            | 84,712  | 8,735                             | 5,203  | 98,650  | 71,654  | 2,451                    | (8,408)  | 65,697  |
| Finance and Corporate Resources                              | (11,471)  | 10,829                            | 158,416  | 157,774   | (10,504)  | 8,988                    | 7,341  | 5,825   |
| Housing and Regeneration                                     | 5,384   | (128)                             | 1,420  | 6,676   | 5,932   | (93)                     | 1,596  | 7,435   |
| Housing Revenue Account                                      | (8,982)   | (4,119)                           | (21,412)   | (34,513)  | (7,843)   | (4,417)                  | (48,126)   | (60,386)  |
| <b>Net Cost of Services</b>                                  | <b>185,094</b>  | <b>11,726</b>                     | <b>145,979</b>   | <b>342,799</b>  | <b>174,088</b>  | <b>2,459</b>             | <b>(47,075)</b>  | <b>129,472</b>  |
| Other Income and Expenditure                                 | (181,921)   | (2,707)                           | (118,031)  | (302,659)   | (184,857)   | 1,719                    | (56,027)   | (239,165)   |
| <b>Deficit/(Surplus)</b>                                     | <b>3,173</b>  | <b>9,019</b>                      | <b>27,948</b>  | <b>40,140</b>   | <b>(10,769)</b>   | <b>4,178</b>             | <b>(103,102)</b>   | <b>(109,693)</b>  |
| Opening General Fund and HRA Balance                         | 137,643   |                                   |  |   | 140,999   |                          |  |   |
| Less Deficit / Plus Surplus                                  | (3,173)   |                                   |  |   | 10,769  |                          |  |   |
| Transfers (to)/from Earmarked Reserves                       | 15,766  |                                   |  |   | (14,125)  |                          |  |   |
| <b>Closing General Fund and HRA Balance at 31 March 2017</b> | <b>150,236</b>  |                                   |  |   | <b>137,643</b>  |                          |  |   |

## 5. Note to the Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis 2016/17

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Puposes (Note 1)<br>£'000 | Net Change for the Pensions Adjustments (Note 2)<br>£'000 | Other Differences (Note 3)<br>£'000 | Total Adjustments<br>£'000 |
|---|---|---|-------------------------------------|----------------------------|
| Adult Care and Health   | 10  | 1,757   | 20                                  | 1,787                      |
| Community Services  | (1,169)   | 1,715   | 19                                  | 565                        |
| Education and Children's Services   | 1,071   | 4,172   | (40)                                | 5,203                      |
| Finance and Corporate Resources   | 33,942  | 124,456   | 17                                  | 158,415                    |
| Housing and Regeneration  | 1,102   | 314   | 4                                   | 1,420                      |
| Housing Revenue Account   | (24,623)  | 3,176   | 35                                  | (21,412)                   |
| <b>Cost of Services</b>   | <b>10,333</b>                                     | <b>135,590</b>  | <b>55</b>                           | <b>145,978</b>             |
| Other Income and Expenditure  | (129,467)   | 12,131  | (695)                               | (118,031)                  |
| <b>Deficit/(Surplus)</b>  | <b>(119,134)</b>                                  | <b>147,721</b>  | <b>(640)</b>                        | <b>27,947</b>              |

### Adjustments between Funding and Accounting Basis 2015/16

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Puposes (Note 1)<br>£'000 | Net Change for the Pensions Adjustments (Note 2)<br>£'000 | Other Differences (Note 3)<br>£'000 | Total Adjustments<br>£'000 |
|---|---|---|-------------------------------------|----------------------------|
| Adult Care and Health   | 5   | 1,836   | 63                                  | 1,904                      |
| Community Services  | (3,518)   | 2,065   | 71                                  | (1,382)                    |
| Education and Children's Services   | (12,379)  | 3,648   | 323                                 | (8,408)                    |
| Finance and Corporate Resources   | 14,619  | (7,330)   | 52                                  | 7,341                      |
| Housing and Regeneration  | 1,218   | 365   | 13                                  | 1,596                      |
| Housing Revenue Account   | (49,455)  | 1,284   | 44                                  | (48,127)                   |
| Cost of Services  | (49,510)  | 1,868   | 566                                 | (47,076)                   |
| Other Income and Expenditure  | (63,977)  | 10,806  | (2,856)                             | (56,027)                   |
| <b>Deficit/(Surplus)</b>  | <b>(113,487)</b>                                  | <b>12,674</b>   | <b>(2,290)</b>                      | <b>(103,103)</b>           |

**(a) Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

**Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**(b) Segmental Income**

Income received on a segmental basis is analysed below:

|   | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|---|-------------------------|-------------------------|
| Adult Care and Health                             | 24,122                  | 24,664                  |
| Community Services                                | 144,780                 | 98,250                  |
| Education and Children's Services                 | 27,387                  | 25,520                  |
| Finance and Corporate Resources                   | 20,447                  | 24,041                  |
| Housing and Regeneration                          | 11,876                  | 9,886                   |
| Housing Revenue Account                           | 173,444                 | 173,859                 |
| <b>Total Income analysed on a segmental basis</b> | <u><u>402,056</u></u>   | <u><u>356,220</u></u>   |

## 6. Expenditure and Income Analysed by Nature

The Council's expenditure and Income is analysed as follows:

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| <b>Expenditure</b>                                   |                         |                         |
| Employee expenses                                    | 361,170                 | 234,946                 |
| Other service expenses                               | 647,919                 | 611,331                 |
| Support Service Recharges                            | 46,790                  | 49,879                  |
| Depreciation, amortisation, impairment               | 43,591                  | (13,543)                |
| Interest payments                                    | 8,105                   | 9,022                   |
| Precepts and levies                                  | 4,741                   | 5,405                   |
| Payments to Housing Capital Receipts Pool            | 2,730                   | 2,690                   |
| <b>Total expenditure</b>                             | <u>1,115,046</u>        | <u>899,730</u>          |
| <b>Income</b>  |                         |                         |
| Government grant and contributions                   | (552,269)               | (538,534)               |
| Fees, charges and other service income               | (402,056)               | (356,220)               |
| Gain or loss on disposal of non-current assets       | (23,154)                | (21,605)                |
| Income from council tax and business rates           | (83,122)                | (77,356)                |
| Interest and investment income                       | (14,305)                | (15,707)                |
| <b>Total income</b>                                  | <u>(1,074,906)</u>      | <u>(1,009,422)</u>      |
| <b>Deficit or (Surplus) on Provision of Services</b> | <u>40,140</u>           | <u>(109,692)</u>        |

## 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure 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.

The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **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.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Grants Unapplied**

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

| <b>2016/17</b>   | <b><u>General</u></b> | <b><u>Housing</u></b> | <b><u>Capital</u></b>  | <b><u>Major</u></b>   | <b><u>Capital</u></b>   | <b><u>Movement in</u></b> |
|--|-----------------------|-----------------------|------------------------|-----------------------|-------------------------|---------------------------|
|  | <b><u>Fund</u></b>    | <b><u>Revenue</u></b> | <b><u>Receipts</u></b> | <b><u>Repairs</u></b> | <b><u>Grants</u></b>    | <b><u>Unusable</u></b>    |
|  | <b><u>Balance</u></b> | <b><u>Account</u></b> | <b><u>Reserve</u></b>  | <b><u>Reserve</u></b> | <b><u>Unapplied</u></b> | <b><u>Reserves</u></b>    |
|  | £'000                 | £'000                 | £'000                  | £'000                 | £'000                   | £'000                     |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                       |                       |                        |                       |                         |                           |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                       |                       |                        |                       |                         |                           |
| Charges for depreciation and impairment of non-current assets  | 20,065                | 24,442                |                        |                       |                         | (44,507)                  |
| Revaluation loss/gain on Property Plant and Equipment  | -                     | -                     |                        |                       |                         | -                         |
| Movements in the market value of Investment Properties   | 575                   | -                     |                        |                       |                         | (575)                     |
| Amortisation of intangible assets  | 33                    | -                     |                        |                       |                         | (33)                      |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | (81,924)              | (22,344)              |                        |                       | 104,268                 | -                         |
| Revenue expenditure funded from capital under statute  | 14,859                | 12,602                |                        |                       |                         | (27,461)                  |
| 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 | 8,301                 | 5,273                 |                        |                       |                         | (13,574)                  |
| Surplus on asset exchange written off as part of gain/loss on disposal   | -                     | -                     |                        |                       |                         | -                         |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                       |                       |                        |                       |                         |                           |
| Mandatory provision for the financing of capital investment  | -                     | (37,900)              |                        |                       |                         | 37,900                    |
| Capital expenditure charged against the General Fund and HRA balances  | (121)                 | -                     |                        |                       |                         | 121                       |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                       |                       |                        |                       |                         |                           |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | -                     | -                     |                        |                       | -                       | -                         |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | -                     | -                     |                        |                       | (52,126)                | 52,126                    |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                       |                       |                        |                       |                         |                           |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | (17,528)              | (25,637)              | 43,165                 |                       |                         | -                         |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -                     | -                     | (48,813)               |                       |                         | 48,813                    |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals   | -                     | 94                    | (94)                   |                       |                         | -                         |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | 2,730                 | -                     | (2,730)                |                       |                         | -                         |
| Contribution from Capital Receipts Reserve for retained pooled receipts allocation   | 3,771                 | -                     | (3,771)                |                       |                         | -                         |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash   | -                     | -                     | 6,114                  |                       |                         | (6,114)                   |
| Transfer of unattached capital receipt to the Capital Receipts Reserve   | -                     | (2,109)               | 2,109                  |                       |                         | -                         |

| <b><u>2016/17 Continued</u></b>   | <b><u>General</u></b> | <b><u>Housing</u></b> | <b><u>Capital</u></b>  | <b><u>Major</u></b>   | <b><u>Capital</u></b>   | <b><u>Movement</u></b>    |
|---|-----------------------|-----------------------|------------------------|-----------------------|-------------------------|---------------------------|
|   | <b><u>Fund</u></b>    | <b><u>Revenue</u></b> | <b><u>Receipts</u></b> | <b><u>Repairs</u></b> | <b><u>Grants</u></b>    | <b><u>in Unusable</u></b> |
|   | <b><u>Balance</u></b> | <b><u>Account</u></b> | <b><u>Reserve</u></b>  | <b><u>Reserve</u></b> | <b><u>Unapplied</u></b> | <b><u>Reserves</u></b>    |
|   | <b>£'000</b>          | <b>£'000</b>          | <b>£'000</b>           | <b>£'000</b>          | <b>£'000</b>            | <b>£'000</b>              |
| <b>Adjustments primarily involving the</b>  |                       |                       |                        |                       |                         |                           |
| <b>Deferred Capital Receipts Reserve:</b>   |                       |                       |                        |                       |                         |                           |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | -                     | -                     |                        |                       |                         | -                         |
| <b>Adjustment primarily involving the Major</b>   |                       |                       |                        |                       |                         |                           |
| <b>Repairs Reserve:</b>   |                       |                       |                        |                       |                         |                           |
| Reversal of Major Repairs Allowance credited to the HRA   | -                     | (22,618)              |                        | 22,618                |                         | -                         |
| Use of the Major Repairs Reserve to finance new capital expenditure   | -                     | -                     |                        | (3,037)               |                         | 3,037                     |
| Transfer of Depreciation charge for non-dwelling assets   | -                     | (1,243)               |                        | 1,243                 |                         | -                         |
| <b>Adjustment primarily involving the</b>   |                       |                       |                        |                       |                         |                           |
| <b>Financial Instruments Adjustment</b>   |                       |                       |                        |                       |                         |                           |
| <b>Account:</b>   |                       |                       |                        |                       |                         |                           |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                           | -                     | -                     |                        |                       |                         | -                         |
| <b>Adjustments primarily involving the</b>  |                       |                       |                        |                       |                         |                           |
| <b>Pensions Reserve:</b>  |                       |                       |                        |                       |                         |                           |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services  | 157,736               | 11,607                |                        |                       |                         | (169,343)                 |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (16,221)              | (5,401)               |                        |                       |                         | 21,622                    |
| <b>Adjustments primarily involving the</b>  |                       |                       |                        |                       |                         |                           |
| <b>Collection Fund Adjustment Account:</b>  |                       |                       |                        |                       |                         |                           |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax/NNDR income calculated for the year in accordance with statutory requirements           | (1,270)               | -                     |                        |                       |                         | 1,270                     |
| <b>Adjustment primarily involving the</b>   |                       |                       |                        |                       |                         |                           |
| <b>Accumulated Absences Account:</b>  |                       |                       |                        |                       |                         |                           |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 20                    | 35                    |                        |                       |                         | (55)                      |
| <b>Actuarial pension effects charged to the</b>   |                       |                       |                        |                       |                         |                           |
| <b>Comprehensive Income and Expenditure</b>   |                       |                       |                        |                       |                         |                           |
| <b>Account</b>  |                       |                       |                        |                       |                         |                           |
|   | -                     |                       |                        |                       |                         | -                         |
| <b>Total Adjustments</b>  | <b>91,026</b>         | <b>(63,199)</b>       | <b>(4,020)</b>         | <b>20,824</b>         | <b>52,142</b>           | <b>(96,773)</b>           |

| <u>2015/16</u>   | <u>General</u><br><u>Fund</u><br><u>Balance</u><br>£'000 | <u>Housing</u><br><u>Revenue</u><br><u>Account</u><br>£'000 | <u>Capital</u><br><u>Receipts</u><br><u>Reserve</u><br>£'000 | <u>Major</u><br><u>Repairs</u><br><u>Reserve</u><br>£'000 | <u>Capital</u><br><u>Grants</u><br><u>Unapplied</u><br>£'000 | <u>Movement</u><br><u>in Unusable</u><br><u>Reserves</u><br>£'000 |
|--|--|---|--|---|--|---|
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |  |   |  |   |  |   |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |  |   |  |   |  |   |
| Charges for depreciation and impairment of non-current assets  | (11,160)   | (1,507)   |  |   |  | 12,667  |
| Revaluation losses on Property Plant and Equipment   | -  | -   |  |   |  | -   |
| Movements in the market value of Investment Properties   | (5,491)  |   |  |   |  | 5,491   |
| Amortisation of intangible assets  | 42   |   |  |   |  | (42)  |
| Capital grants and contributions applied   | (39,250)   | (4,849)   |  |   | 44,099   | -   |
| Revenue expenditure funded from capital under statute  | 11,316   | 6,693   |  |   |  | (18,009)  |
| 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 | 36,770   | 4,643   |  |   |  | (41,413)  |
| Surplus on asset exchange written off as part of gain/loss on disposal   | -  |   |  |   |  | -   |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |  |   |  |   |  |   |
| Mandatory provision for the financing of capital investment  | -  | (31,373)  |  |   |  | 31,373  |
| Capital expenditure charged against the General Fund and HRA balances  | (454)  | -   |  |   |  | 454   |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |  |   |  |   |  |   |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | -  | -   |  |   |  | -   |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | -  | -   |  |   | (27,375)   | 27,375  |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |  |   |  |   |  |   |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | (24,525)   | (17,842)  | 42,367   |   |  | -   |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -  | -   | (49,778)   |   |  | 49,778  |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals   | -  | 125   | (125)  |   |  | -   |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | 2,690  | -   | (2,690)  |   |  | -   |
| Contribution from Capital Receipts Reserve for retained pooled receipts allocation   | 3,407  | -   | (3,407)  |   |  | -   |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash   | -  | -   | 14   |   |  | (14)  |
| Transfer of unattached capital receipt to the Capital Receipts Reserve   | (253)  | (1,587)   | 1,840  |   |  | -   |

| <b>2015/16 Continued</b>  | <u>General</u><br><u>Fund</u><br><u>Balance</u><br>£'000 | <u>Housing</u><br><u>Revenue</u><br><u>Account</u><br>£'000 | <u>Capital</u><br><u>Receipts</u><br><u>Reserve</u><br>£'000 | <u>Major</u><br><u>Repairs</u><br><u>Reserve</u><br>£'000 | <u>Capital</u><br><u>Grants</u><br><u>Unapplied</u><br>£'000 | <u>Movement</u><br><u>in Unusable</u><br><u>Reserves</u><br>£'000 |
|---|--|---|--|---|--|---|
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>   |  |   |  |   |  |   |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | (23,435)   | -   |  |   |  | 23,435  |
| <b>Adjustment primarily involving the Major Repairs Reserve:</b>  |  |   |  |   |  |   |
| Reversal of Major Repairs Allowance credited to the HRA   | -  | (22,466)  |  | 22,466  |  | -   |
| Use of the Major Repairs Reserve to finance new capital expenditure   | -  | -   |  | (5,195)   |  | 5,195   |
| Transfer of Depreciation charge for non-dwelling assets   | -  | (926)   |  | 926   |  | -   |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |  |   |  |   |  |   |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                           | -  | -   |  |   |  | -   |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |  |   |  |   |  |   |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services  | 31,017   | 5,434   |  |   |  | (36,451)  |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (20,924)   | (2,853)   |  |   |  | 23,777  |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |  |   |  |   |  |   |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements                | 2,635  | -   |  |   |  | (2,635)   |
| <b>Adjustment primarily involving the Accumulated Absences Account:</b>   |  |   |  |   |  |   |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 523  | 44  |  |   |  | (567)   |
| <b>Actuarial pension effects charged to the Comprehensive Income and Expenditure Account</b>  |  |   |  |   |  |   |
|   | -  | -   |  |   |  | -   |
| <b>Total Adjustments</b>  | <b>(37,092)</b>  | <b>(66,464)</b>   | <b>(11,779)</b>  | <b>18,197</b>   | <b>16,724</b>  | <b>80,414</b>   |

## 8. 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 2016/17.

|  | Balance<br>1st April<br>2015<br>£'000 | Transfers<br>Out<br>2015/16<br>£'000 | Transfers<br>In<br>2015/16<br>£'000 | Balance<br>31st March<br>2016<br>£'000 | Transfers<br>Out<br>2016/17<br>£'000 | Transfers<br>In<br>2016/17<br>£'000 | Balance<br>31st March<br>2017<br>£'000 |
|--|---------------------------------------|--------------------------------------|-------------------------------------|--|--------------------------------------|-------------------------------------|--|
| <b>Earmarked Reserves:</b>                   |                                       |                                      |                                     |  |                                      |                                     |  |
| Renewals Fund                                | 30,691                                | 2,986                                | 1,236                               | 28,941                                 | 916                                  | 1,250                               | 29,275                                 |
| Specific Grant Reserve                       | 2,400                                 | -                                    | -                                   | 2,400                                  | 1,400                                | -                                   | 1,000                                  |
| Insurance Reserve                            | 7,389                                 | 336                                  | -                                   | 7,053                                  | -                                    | -                                   | 7,053                                  |
| Finite Services Fund                         | 1,530                                 | 120                                  | -                                   | 1,410                                  | -                                    | -                                   | 1,410                                  |
| Employer's Pensions<br>Contributions Reserve | 41,400                                | 1,900                                | -                                   | 39,500                                 | 39,500                               | -                                   | -                                      |
| Enhanced Pension Fund                        | 1,965                                 | 836                                  | 4,008                               | 5,137                                  | 5,137                                | -                                   | -                                      |
| Pensions Resilience Reserve                  | -                                     | -                                    | -                                   | -                                      | -                                    | 43,424                              | 43,424                                 |
| Services Transformation Fund                 | 23,484                                | 1,000                                | -                                   | 22,484                                 | 5,000                                | -                                   | 17,484                                 |
| Financial Resilience Reserve                 | 33,138                                | -                                    | -                                   | 33,138                                 | 6,800                                | 6,000                               | 32,338                                 |
| Childrens Services Recovery<br>Reserve       | -                                     | -                                    | 14,500                              | 14,500                                 | 4,600                                | 5,568                               | 15,468                                 |
| Business Rate Volatility Reserve             | 4,759                                 | 313                                  | 2,000                               | 6,446                                  | 2,949                                | 3,503                               | 7,000                                  |
| Public Health Reserve                        | 200                                   | 200                                  | -                                   | -                                      | -                                    | -                                   | -                                      |
| Education Balances                           | 29,302                                | 27,422                               | 23,067                              | 24,947                                 | 26,557                               | 15,728                              | 14,118                                 |
| LPFA Deficit Funding Reserve                 | 5,664                                 | -                                    | 1,003                               | 6,667                                  | 7,519                                | 852                                 | -                                      |
| DSO Reserves                                 | -                                     | -                                    | -                                   | -                                      | 1,415                                | 6,505                               | 5,090                                  |
| Other Balances                               | 7,578                                 | 1,651                                | 441                                 | 6,368                                  | 5,950                                | 8                                   | 426                                    |
| <b>Total</b>                                 | <b>189,500</b>                        | <b>36,764</b>                        | <b>46,255</b>                       | <b>198,991</b>                         | <b>107,743</b>                       | <b>82,838</b>                       | <b>174,086</b>                         |
| General Fund Balance                         | 26,946                                | 248,744                              | 237,546                             | 15,748                                 | 371,955                              | 375,565                             | 19,358                                 |
| Capital Grants Unapplied                     | -                                     | 12,381                               | 12,381                              | -                                      | 15,905                               | 15,905                              | -                                      |
| Wandsworth CIL Receipts                      | 35,254                                | 2,850                                | 19,574                              | 51,978                                 | 21,058                               | 73,200                              | 104,120                                |
| Capital Receipts Reserve                     | 66,647                                | 51,899                               | 40,120                              | 54,868                                 | 48,960                               | 44,940                              | 50,848                                 |
| <b>HRA:</b>                                  |                                       |                                      |                                     |  |                                      |                                     |  |
| Housing Revenue Account                      | 114,053                               | -                                    | 7,843                               | 121,896                                | -                                    | 8,982                               | 130,878                                |
| Earmarked HRA (MRA)                          | 151,973                               | 5,195                                | 23,392                              | 170,170                                | 3,036                                | 23,860                              | 190,994                                |
| <b>Total</b>                                 | <b>266,026</b>                        | <b>5,195</b>                         | <b>31,235</b>                       | <b>292,066</b>                         | <b>3,036</b>                         | <b>32,842</b>                       | <b>321,872</b>                         |
| <b>Total</b>                                 | <b>584,373</b>                        |                                      |                                     | <b>613,651</b>                         |                                      |                                     | <b>670,284</b>                         |
| Unusable Reserves (Note 25)                  | 1,094,470                             |                                      |                                     | 1,453,094                              |                                      |                                     | 1,476,082                              |
| <b>Grand Total</b>                           | <b>1,678,843</b>                      |                                      |                                     | <b>2,066,745</b>                       |                                      |                                     | <b>2,146,366</b>                       |

Further details of the purpose of the Council's earmarked reserves can be found in the following committee report on the Council's website

<http://wbcvmod01/documents/s49183/17-96%20-%20Council%20Tax%20Setting%20-%202017-18.pdf>

**9. Other Operating (Income) and Expenditure**

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| Levies   | 4,741                   | 5,405                   |
| Payments to the Government Housing Capital Receipts Pool | 2,730                   | 2,690                   |
| New Retained Housing Capital Receipts                    | 3,772                   | 3,407                   |
| Used Retained Housing Capital Receipts                   | (8,546)                 | (4,370)                 |
| Gains on the disposal of non-current assets              | (23,154)                | (21,607)                |
| <b>Total</b>   | <u><u>(20,457)</u></u>  | <u><u>(14,475)</u></u>  |

**10. Financing and Investment (Income) and Expenditure**

|   | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|---|-------------------------|-------------------------|
| Interest payable and similar charges  | 2,544                   | 2,890                   |
| Pensions interest cost and expected return on pensions assets                               | 12,131                  | 10,806                  |
| Interest receivable and similar income  | (5,229)                 | (5,189)                 |
| Income and expenditure in relation to investment properties and changes in their fair value | (3,434)                 | (8,032)                 |
| Other investment income   | -                       | -                       |
| Net surplus on trading activities   | (539)                   | (402)                   |
| Appropriation of trading fund balances  | -                       | -                       |
| Revenue movement of other balances  | (215)                   | 1,556                   |
| <b>Total</b>  | <u><u>5,258</u></u>     | <u><u>1,629</u></u>     |

**11. Taxation and Non Specific Grant Income**

|                                  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|----------------------------------|-------------------------|-------------------------|
| Council tax income               | (52,590)                | (48,924)                |
| Non domestic rates income        | (30,533)                | (28,433)                |
| Non-ringfenced government grants | (100,069)               | (104,866)               |
| Capital grants and contributions | (104,268)               | (44,097)                |
| <b>Total</b>                     | <u><u>(287,460)</u></u> | <u><u>(226,320)</u></u> |

## 12. Property, Plant and Equipment

|  | <u>Council Dwellings</u><br>£'000 | <u>Operat-<br/>ional Land<br/>and<br/>Buildings</u><br>£'000 | <u>Vehicles,<br/>Plant and<br/>Equipment</u><br>£'000 | <u>Infra-<br/>structure<br/>Assets</u><br>£'000 | <u>Comm-<br/>unity<br/>Assets</u><br>£'000 | <u>Surplus<br/>Assets</u><br>£'000 | <u>Total PP&amp;E</u><br>£'000 |
|--|-----------------------------------|--|---|---|--|------------------------------------|--------------------------------|
| <b>Cost or valuation<br/>at 1st April 2016</b>   | <b>1,333,554</b>                  | <b>624,270</b>   | <b>33,601</b>   | <b>158,123</b>                                  | <b>19,027</b>                              | <b>3,651</b>                       | <b>2,172,226</b>               |
| Additions  | 41,517                            | 34,222   | 1,170   | 10,647  | -  | -                                  | 87,556                         |
| Revaluation decreases/increases<br>recognised in Revaluation Reserve                     | (2,720)                           | 8,882  | -   | -   | -  | 2,305                              | 8,467                          |
| Revaluation decreases to<br>Surplus/Deficit on Provision of<br>Services                  | (7,461)                           | (9,588)  | -   | -   | -  | -                                  | (17,049)                       |
| Revaluation increases to<br>Surplus/Deficit on Provision of<br>Services                  | 6,858                             | 6,927  | -   | -   | -  | -                                  | 13,785                         |
| Derecognition - disposals  | (5,131)                           | -  | -   | -   | -  | -                                  | (5,131)                        |
| Derecognition - other  | -                                 | (6,876)  | (9,550)   | -   | -  | -                                  | (16,426)                       |
| Reclassifications  | -                                 | 1,996  | -   | -   | -  | (1,996)                            | -                              |
| <b>at 31st March 2017</b>  | <b>1,366,617</b>                  | <b>659,833</b>   | <b>25,221</b>   | <b>168,770</b>                                  | <b>19,027</b>                              | <b>3,960</b>                       | <b>2,243,428</b>               |
| <b>Accumulated Depreciation &amp;<br/>Impairment</b>                                     |                                   |  |   |   |  |                                    |                                |
| <b>at 1st April 2016</b>   | -                                 | (469)  | (28,000)  | (87,266)  | -  | -                                  | (115,735)                      |
| Depreciation charge  | (22,712)                          | (11,013)   | (1,550)   | (5,968)   | -  | -                                  | (41,243)                       |
| Depreciation written out to<br>Revaluation Reserve                                       | 22,712                            | 11,482   | -   | -   | -  | -                                  | 34,194                         |
| Impairment losses/reversals<br>recognised in Revaluation Reserve                         | -                                 | -  | -   | -   | -  | -                                  | -                              |
| Impairment losses/reversals<br>recognised in Surplus/Deficit on<br>Provision of Services | -                                 | -  | -   | -   | -  | -                                  | -                              |
| Derecognition - disposals  | -                                 | -  | 9,550   | -   | -  | -                                  | 9,550                          |
| Derecognition - other  | -                                 | -  | -   | -   | -  | -                                  | -                              |
| Reclassifications  | -                                 | -  | -   | -   | -  | -                                  | -                              |
| <b>at 31st March 2017</b>  | <b>-</b>                          | <b>-</b>   | <b>(20,000)</b>                                       | <b>(93,234)</b>                                 | <b>-</b>                                   | <b>-</b>                           | <b>(113,234)</b>               |
| <b>Net Book Value</b>  |                                   |  |   |   |  |                                    |                                |
| At 31st March 2017   | <b>1,366,617</b>                  | <b>659,833</b>   | <b>5,221</b>  | <b>75,536</b>                                   | <b>19,027</b>                              | <b>3,960</b>                       | <b>2,130,194</b>               |
| At 31st March 2016   | <b>1,333,554</b>                  | <b>623,801</b>   | <b>5,601</b>  | <b>70,857</b>                                   | <b>19,027</b>                              | <b>3,651</b>                       | <b>2,056,491</b>               |

|  | <u>Council Dwellings</u> | <u>Operational Land and Buildings</u> | <u>Vehicles, Plant and Equipment</u> | <u>Infra-structure Assets</u> | <u>Community Assets</u> | <u>Surplus Assets</u> | <u>Total PP&amp;E</u> |
|--|--------------------------|---------------------------------------|--------------------------------------|-------------------------------|-------------------------|-----------------------|-----------------------|
|  | £'000                    | £'000                                 | £'000                                | £'000                         | £'000                   | £'000                 | £'000                 |
| <b>Cost or valuation at 1st April 2015</b>   | 1,296,681                | 362,700                               | 32,527                               | 148,399                       | 19,027                  | -                     | 1,859,334             |
| <b>Reclassification</b>  | (48,715)                 | 48,715                                | -                                    | -                             | -                       | -                     | -                     |
|  | <b>1,247,966</b>         | <b>411,415</b>                        | <b>32,527</b>                        | <b>148,399</b>                | <b>19,027</b>           | <b>-</b>              | <b>1,859,334</b>      |
| Additions  | 30,024                   | 26,920                                | 1,133                                | 9,724                         | -                       | -                     | 67,801                |
| Revaluation decreases/increases recognised in Revaluation Reserve                  | 34,321                   | 162,141                               | -                                    | -                             | -                       | 2,002                 | 198,464               |
| Revaluation decreases to Surplus/Deficit on Provision of Services                  | (4,623)                  | (3,263)                               | -                                    | -                             | -                       | -                     | (7,886)               |
| Revaluation increases to Surplus/Deficit on Provision of Services                  | 29,522                   | 29,265                                | -                                    | -                             | -                       | -                     | 58,787                |
| Derecognition - disposals  | (4,586)                  | -                                     | -                                    | -                             | -                       | -                     | (4,586)               |
| Derecognition - other  | -                        | (26,445)                              | (59)                                 | -                             | -                       | -                     | (26,504)              |
| Reclassifications  | 930                      | 24,237                                | -                                    | -                             | -                       | 1,649                 | 26,816                |
| <b>at 31st March 2016</b>  | <b>1,333,554</b>         | <b>624,270</b>                        | <b>33,601</b>                        | <b>158,123</b>                | <b>19,027</b>           | <b>3,651</b>          | <b>2,172,226</b>      |
| <b>Accumulated Depreciation &amp; Impairment at 1st April 2015</b>                 | -                        | -                                     | (26,362)                             | (81,028)                      | -                       | -                     | (107,390)             |
| Depreciation charge  | (22,561)                 | (7,796)                               | (1,638)                              | (6,238)                       | -                       | -                     | (38,233)              |
| Depreciation written out to Revaluation Reserve                                    | 22,561                   | 7,293                                 | -                                    | -                             | -                       | 34                    | 29,888                |
| Impairment losses/reversals recognised in Revaluation Reserve                      | -                        | -                                     | -                                    | -                             | -                       | -                     | -                     |
| Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services | -                        | -                                     | -                                    | -                             | -                       | -                     | -                     |
| Derecognition - disposals  | -                        | -                                     | -                                    | -                             | -                       | -                     | -                     |
| Derecognition - other  | -                        | -                                     | -                                    | -                             | -                       | -                     | -                     |
| Reclassifications  | -                        | 34                                    | -                                    | -                             | -                       | (34)                  | -                     |
| <b>at 31st March 2016</b>  | <b>-</b>                 | <b>(469)</b>                          | <b>(28,000)</b>                      | <b>(87,266)</b>               | <b>-</b>                | <b>-</b>              | <b>(115,735)</b>      |
| Net Book Value   |                          |                                       |                                      |                               |                         |                       |                       |
| At 31st March 2016   | <b>1,333,554</b>         | <b>623,801</b>                        | <b>5,601</b>                         | <b>70,857</b>                 | <b>19,027</b>           | <b>3,651</b>          | <b>2,056,491</b>      |
| At 31st March 2015   | <b>1,296,681</b>         | <b>362,700</b>                        | <b>6,165</b>                         | <b>67,371</b>                 | <b>19,027</b>           | <b>-</b>              | <b>1,751,944</b>      |

Notional disposal costs were deducted from the valuations in 2015/16 and amounted to £6.3 million for Council Dwellings and £5.1 million for operational land and buildings. These were no longer deducted in 2016/17.

### 13. 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 Mayor.

The various items were mainly presented to the Council by well wishers or external bodies. Items have rarely been purchased, and there are no records of any disposals.

The assets are stored either in the vault or in the Mayor's parlour. Some will be on display on big civic occasions, but at other times they are mostly kept in the vault.

The insurance listing constitutes a register of the assets.

The assets are measured at valuation and are not subject to depreciation.

The valuations are at retail replacement value for insurance purposes as at 6th January 2009. 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 valuation.

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.

### 14. Investment Property

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

|  | <u>2016/17</u>      | <u>2015/16</u>      |
|--|---------------------|---------------------|
|  | £'000               | £'000               |
| Rental income from investment property                     | 3,858               | 3,398               |
| Direct operating expenses arising from investment property | (112)               | (99)                |
| <b>Net gain</b>  | <u><u>3,746</u></u> | <u><u>3,299</u></u> |

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:

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| Balance at start of the year                 | <b>34,906</b>           | 56,702                  |
| Additions:                                   |                         |                         |
| Purchases                                    | <b>16,423</b>           | 6,857                   |
| Construction                                 | -                       | -                       |
| Subsequent valuation on asset exchange       | -                       | -                       |
| Disposals                                    | <b>(1,425)</b>          | (2,412)                 |
| Net gains/losses from fair value adjustments | <b>(575)</b>            | 5,491                   |
| Transfers:                                   |                         |                         |
| to/from Inventories                          | -                       | -                       |
| to/from Property, Plant and Equipment        | -                       | (31,732)                |
| to/from Assets Held for Sale                 | -                       | -                       |
| Other changes                                | -                       | -                       |
| <b>Balance at end of the year</b>            | <b><u>49,329</u></b>    | <b><u>34,906</u></b>    |

## 15. Intangible Assets

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

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

## 16. Long Term Investments

Long term investments comprise CCLA's Local Authorities Property Fund and fixed investments that have more than one year to maturity. These amounted to £106.7 million at 31st March 2017 (£53.8 million in 2015/16). £81.4 million of these investments are due to mature within two years (£28.0 million in 2015/16).

## 17. Inventories

|  | <u>Consumable</u> |                | <u>Work in</u>  |                | <u>Total</u>   |                |
|--|-------------------|----------------|-----------------|----------------|----------------|----------------|
|  | <u>Stores</u>     |                | <u>Progress</u> |                |                |                |
|  | <u>2016/17</u>    | <u>2015/16</u> | <u>2016/17</u>  | <u>2015/16</u> | <u>2016/17</u> | <u>2015/16</u> |
|  | <u>£'000</u>      | <u>£'000</u>   | <u>£'000</u>    | <u>£'000</u>   | <u>£'000</u>   | <u>£'000</u>   |
| Balance outstanding at start of year   | 287               | 178            | 1,807           | 412            | 2,094          | 590            |
| Purchases                              | 2,105             | 1,568          | -               | 1,395          | 2,105          | 2,963          |
| Recognised as an expense in the year   | (1,815)           | (1,459)        | (1,277)         | -              | (3,092)        | (1,459)        |
| Written off balances                   | -                 | -              | -               | -              | -              | -              |
| <b>Balance outstanding at year-end</b> | <b>577</b>        | <b>287</b>     | <b>530</b>      | <b>1,807</b>   | <b>1,107</b>   | <b>2,094</b>   |

## 18. Construction Contracts

The Council has authorised expenditure in future years of £342.0 million under its capital programme, of which £24.3 million has been contractually committed on larger schemes for 2017/18 and future years.

The most significant individual contractually committed schemes are:

|   | <u>£'000</u> |
|---|--------------|
| (i) Deeley/Thessally/Tidbury Courts New Build development | 8,823        |
| (ii) Greenmead/Ronald Ross New Build                      | 4,261        |
| (iii) Alton E Blocks window renewals                      | 1,873        |
| (iv) Central Area replacement of obsolete boilers         | 1,684        |
| (v) Boroughwide Kitchens & Bathrooms Phase 6              | 1,391        |
| (vi) Rowditch Lane New Build Homes                        | 1,258        |
| (vii) Sudbury House heating replacement                   | 998          |
| (viii) Patmore Estate replacement of obsolete boilers     | 881          |
| (ix) Linden Lodge - New Family Centre                     | 860          |
| (x) Hyacinth estate replacement of Heating                | 616          |
| (xi) Jordan Lodge, New Build site development             | 569          |
| (xii) Ethelburga Estate Roofing Phase 1                   | 534          |

**19. Short-term Debtors**

|  |                   |                   | <u>31st March 2017</u> | <u>31st March 2016</u> |
|--|-------------------|-------------------|------------------------|------------------------|
|  |                   |                   | £'000                  | £'000                  |
| Central government bodies                    |                   |                   | 10,741                 | 9,179                  |
| Other local authorities                      |                   |                   | 6,454                  | 6,699                  |
| Leaseholders' service charges                |                   |                   | 6,923                  | 6,017                  |
| Housing rents, heating and hot water charges |                   |                   | 3,921                  | 5,447                  |
| Housing Benefits                             |                   |                   | 28,313                 | 26,113                 |
| Council Tax                                  |                   |                   | 3,741                  | 3,614                  |
| NHS bodies                                   |                   |                   | 906                    | 2,172                  |
| Other entities and individuals               |                   |                   | 85,630                 | 43,511                 |
|  |                   |                   | <b>146,629</b>         | <b>102,752</b>         |
| <b>Less provisions for doubtful debts</b>    | <u>Provisions</u> | <u>Provisions</u> |                        |                        |
|  | <u>Made</u>       | <u>Used</u>       |                        |                        |
|  | £'000             | £'000             |                        |                        |
| Other local authorities                      | (70)              | -                 | 66                     | 136                    |
| Leaseholders' service charges                | 1                 | 1                 | 100                    | 100                    |
| Housing rents, heating and hot water charges | 78                | 514               | 2,427                  | 2,863                  |
| Housing Benefits                             | 643               | -                 | 8,994                  | 8,351                  |
| Council Tax                                  | 2,720             | 2,582             | 2,898                  | 2,760                  |
| Other entities and individuals               | 4,405             | 3,561             | 8,852                  | 8,008                  |
|  |                   |                   | <b>23,337</b>          | <b>22,218</b>          |
| Debtors less provisions                      |                   |                   | 123,292                | 80,534                 |
| Payments in advance                          |                   |                   | 7,197                  | 4,543                  |
| <b>Total</b>                                 |                   |                   | <b>130,489</b>         | <b>85,077</b>          |

**20. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

|  | <u>31st March 2017</u> | <u>31st March 2016</u> |
|--|------------------------|------------------------|
|  | £'000                  | £'000                  |
|  |                        | (Restated)             |
| Cash held by the Council               | 544                    | 2,116                  |
| Bank current accounts                  | (6,084)                | (3,390)                |
| Short-term deposits                    | 55,748                 | 76,662                 |
| <b>Total Cash and Cash Equivalents</b> | <b>50,208</b>          | <b>75,388</b>          |

**21. Assets Held for Sale**

|   | <b>Current</b>       |                      |
|---|----------------------|----------------------|
|   | <u>2016/17</u>       | <u>2015/16</u>       |
|   | £'000                | £'000                |
| Balance outstanding at start of year        | 12,649               | 15,645               |
| Assets newly classified as held for sale:   |                      |                      |
| Property, Plant and Equipment               |                      | 4,914                |
| Intangible Assets                           | -                    | -                    |
| Other assets/liabilities in disposal groups | -                    | -                    |
| Revaluation losses                          | -                    | -                    |
| Revaluation gains                           | -                    | -                    |
| Impairment losses                           | -                    | -                    |
| Assets declassified as held for sale:       |                      |                      |
| Property, Plant and Equipment               | -                    | -                    |
| Investment Properties                       | -                    | -                    |
| Intangible Assets                           | -                    | -                    |
| Other assets/liabilities in disposal groups | -                    | -                    |
| Assets sold                                 | (142)                | (7,910)              |
| Transfers from non-current to current       | -                    | -                    |
| Other movements                             | -                    | -                    |
| <b>Balance outstanding at year-end</b>      | <u><u>12,507</u></u> | <u><u>12,649</u></u> |

**22. Short-term Creditors**

|                                | <u>31st March 2017</u> | <u>31st March 2016</u> |
|--------------------------------|------------------------|------------------------|
|                                | £'000                  | £'000                  |
| Central government bodies      | 7,665                  | 6,505                  |
| Other local authorities        | 21,160                 | 17,223                 |
| NHS bodies                     | 2,786                  | 1,601                  |
| Other entities and individuals | 47,871                 | 48,982                 |
|                                | <u>79,482</u>          | <u>74,311</u>          |
| Receipts in advance            |                        |                        |
| - Retained Pooled Receipts     | 10,288                 | 15,062                 |
| - S106 Contributions           | 63,036                 | 74,420                 |
| - Other                        | 17,471                 | 17,231                 |
|                                | <u>90,795</u>          | <u>106,713</u>         |
| <b>Total</b>                   | <u><u>170,277</u></u>  | <u><u>181,024</u></u>  |

**23. Provisions**

|                                      | Notes | 31st March 2016 |              |               | 31st March 2017 |               |               | Total        | Total         |      |
|--------------------------------------|-------|-----------------|--------------|---------------|-----------------|---------------|---------------|--------------|---------------|------|
|                                      |       | Due             |              | Provisions    | Due             |               | Provisions    |              |               | Used |
|                                      |       | Within          | Between 1    |               | Within          | Between 1     |               |              |               |      |
|                                      |       | 1 Year          | and 5 Years  | Total         | 1 Year          | and 5 Years   | Total         |              |               |      |
| £'000                                | £'000 | £'000           | £'000        | £'000         | £'000           | £'000         | £'000         |              |               |      |
| Insurance Fund                       | (i)   | 2,625           | 3,926        | 6,551         | 4,830           | 3,959         | <b>2,185</b>  | <b>5,237</b> | <b>7,422</b>  |      |
| Tree root claims                     | (ii)  | 331             | 2,976        | 3,307         | 99              | 180           | <b>323</b>    | <b>2,903</b> | <b>3,226</b>  |      |
| Accumulating absences                | (iii) | 4,097           | -            | 4,097         | 4,152           | 4,097         | <b>4,152</b>  | -            | <b>4,152</b>  |      |
| Business rates provision for appeals | (iv)  | 880             | 1,491        | 2,371         | 431             | 703           | <b>1,050</b>  | <b>1,049</b> | <b>2,099</b>  |      |
| Thames Water Charges                 | (v)   | 5,900           | -            | 5,900         | 325             | 5,350         | <b>875</b>    | -            | <b>875</b>    |      |
| Other provisions                     |       | 1,944           | 152          | 2,096         | 1,653           | 515           | <b>3,083</b>  | <b>151</b>   | <b>3,234</b>  |      |
|                                      |       | <b>15,777</b>   | <b>8,545</b> | <b>24,322</b> | <b>11,490</b>   | <b>14,804</b> | <b>11,668</b> | <b>9,340</b> | <b>21,008</b> |      |

**Notes:**

- (i) The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £531,108 and property claims up to £50,000 of each loss. The level of provision is mainly based on advice from the Council's insurers. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.
- (ii) 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.
- (iii) Under IFRS, the Council is required to provide for short term employee benefits – short term compensated absences. This consists of the value of annual leave and flexi-time which employees have earned by 31st March 2017 but have not yet taken.
- (iv) The Council has made a provision for appeals lodged by Business Ratepayers with the Valuation Office regarding the rateable value of properties, which have yet to be determined.
- (v) Following a legal challenge against the London Borough of Southwark regarding the charging for the provision of water and sewerage services to its tenants, Wandsworth Council, following its own legal advice, will be making refunds to tenants charged incorrectly over the last six years. An initial provision was made for £5.9 million, of which £5.35 million has been credited to current tenants rent accounts. The balance of the provision has been increased by an additional £0.325 million to £0.875 million as at the end of the financial year to reflect the amounts still due to be refunded to former tenants.

## 24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

## 25. Unusable Reserves

|  | <u>31st March 2017</u>  | <u>31st March 2016</u>  |
|--|-------------------------|-------------------------|
|  | £'000                   | £'000                   |
| Revaluation Reserve                              | 505,204                 | 473,010                 |
| Available for Sale Financial Instruments Account | 522                     | 551                     |
| Capital Adjustment Account                       | 1,343,043               | 1,276,728               |
| Pensions Reserve                                 | (385,711)               | (315,118)               |
| Deferred Capital Receipts Reserve                | 17,338                  | 23,452                  |
| Collection Fund Adjustment Account               | (162)                   | (1,432)                 |
| Accumulated Absences Adjustment Account          | (4,152)                 | (4,097)                 |
| <b>Total Unusable Reserves</b>                   | <b><u>1,476,082</u></b> | <b><u>1,453,094</u></b> |

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

|  | <u>2016/17</u>  |                       | <u>2015/16</u> |                       |
|--|-----------------|-----------------------|----------------|-----------------------|
|  | £'000           | £'000                 | £'000          | £'000                 |
| Balance at 1st April updated   |                 | 473,010               |                | 251,749               |
| Upward revaluation of assets   | 64,575          |                       | 230,739        |                       |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | <u>(21,913)</u> |                       | <u>(2,387)</u> |                       |
| Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services       |                 | 42,662                |                | 228,352               |
| Difference between fair value depreciation and historical cost depreciation  | (7,889)         |                       | (4,972)        |                       |
| Accumulated gains on assets sold or scrapped   | <u>(2,579)</u>  |                       | <u>(2,119)</u> |                       |
| Amount written off to the Capital Adjustment Account   |                 | (10,468)              |                | (7,091)               |
| <b>Balance at 31st March</b>   |                 | <u><u>505,204</u></u> |                | <u><u>473,010</u></u> |

#### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

|   | <u>2016/17</u> |                   | <u>2015/16</u> |                   |
|---|----------------|-------------------|----------------|-------------------|
|   | £'000          | £'000             | £'000          | £'000             |
| Balance at 1st April  |                | 551               |                | 429               |
| Upward revaluation of investments   | 369            |                   | 439            |                   |
| Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services   | <u>(393)</u>   |                   | <u>(1)</u>     |                   |
|   |                | (24)              |                | 438               |
| Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income |                | (5)               |                | (316)             |
| <b>Balance at 31st March</b>  |                | <u><u>522</u></u> |                | <u><u>551</u></u> |

### **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| <b>Balance at 1st April restated</b>   | <b>1,276,728</b>        | 1,196,768               |
| <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      |                         |                         |
| Charges for depreciation and impairment of non-current assets  | <b>(44,506)</b>         | 12,668                  |
| Revaluation losses on Property, Plant and Equipment  |                         |                         |
| Amortisation of intangible assets  | <b>(33)</b>             | (42)                    |
| Revenue expenditure funded from capital under statute  | <b>(27,461)</b>         | (18,009)                |
| 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 | <b>(13,574)</b>         | (41,413)                |
| Surplus on asset exchange written off as part of gain/loss on disposal   | -                       | -                       |
|  | <b>(85,574)</b>         | (46,796)                |
| Adjusting amounts written out of the Revaluation Reserve   | <b>10,467</b>           | 7,091                   |
| Net written out amount of the cost of non-current assets consumed in the year  | <b>(75,107)</b>         | (39,705)                |
| <b>Capital financing applied in the year:</b>  |                         |                         |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | <b>40,267</b>           | 45,408                  |
| Use of retained one for one receipts to finance new capital expenditure  | <b>8,546</b>            | 4,370                   |
| Use of the Major Repairs Reserve to finance new capital expenditure  | <b>3,037</b>            | 5,195                   |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | <b>52,126</b>           | 27,375                  |
| Application of grants to capital financing from the Capital Grants Unapplied Account   | -                       | -                       |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | <b>37,900</b>           | 31,373                  |
| Capital expenditure charged against the General Fund and HRA balances  | <b>121</b>              | 453                     |
|  | <b>141,997</b>          | 114,174                 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | <b>(575)</b>            | 5,491                   |
| <b>Balance at 31st March</b>   | <b>1,343,043</b>        | 1,276,728               |

### 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. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| Balance at 1st April   | (315,118)               | (352,180)               |
| Actuarial gains/(losses) on pensions assets and liabilities  | 77,128                  | 49,736                  |
| 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 | (147,721)               | (12,674)                |
| <b>Balance at 31st March</b>   | <b><u>(385,711)</u></b> | <b><u>(315,118)</u></b> |

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council 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.

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| Balance at 1st April   | 23,452                  | 31                      |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -                       | 23,435                  |
| Transfer to the Capital Receipts Reserve upon receipt of cash  | (6,114)                 | (14)                    |
| <b>Balance at 31st March</b>   | <b><u>17,338</u></b>    | <b><u>23,452</u></b>    |

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

|   | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|---|-------------------------|-------------------------|
| Balance at 1st April  | (1,432)                 | 1,203                   |
| Amount by which council tax & NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 1,270                   | (2,635)                 |
| <b>Balance at 31st March</b>  | <u><u>(162)</u></u>     | <u><u>(1,432)</u></u>   |

**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, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

|   | <u>2016/17</u> |                       | <u>2015/16</u> |                       |
|---|----------------|-----------------------|----------------|-----------------------|
|   | £'000          | £'000                 | £'000          | £'000                 |
| Balance at 1st April  |                | (4,097)               |                | (3,530)               |
| Settlement or cancellation of accrual made at the end of the preceding year   | 4,097          |                       | 3,530          |                       |
| Amounts accrued at the end of the current year  | <u>(4,152)</u> |                       | <u>(4,097)</u> |                       |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements |                | (55)                  |                | (567)                 |
| <b>Balance at 31st March</b>  |                | <u><u>(4,152)</u></u> |                | <u><u>(4,097)</u></u> |

**26. Cash Flow Statement – Net Cash Flows from Operating Activities**

|  | <u>2016/17</u>  |                        | <u>2015/16</u> |                      |
|--|-----------------|------------------------|----------------|----------------------|
|  | £'000           | £'000                  | £'000          | £'000                |
| Net (deficit)/surplus on the provision of services   |                 | <b>(40,140)</b>        | (Restated)     | 109,692              |
| <u>Adjustment for non cash movements</u>   |                 |                        |                |                      |
| Depreciation   | <b>41,242</b>   |                        | 38,233         |                      |
| Impairment and downward valuations   | <b>3,264</b>    |                        | (50,899)       |                      |
| Amortisation   | <b>33</b>       |                        | 42             |                      |
| Movement in interest creditors   | <b>(3)</b>      |                        | (125)          |                      |
| Movement in creditors  | <b>(6,883)</b>  |                        | 21,883         |                      |
| Movement in interest and dividend debtors  | <b>1,434</b>    |                        | (923)          |                      |
| Movement in debtors  | <b>(43,247)</b> |                        | (8,752)        |                      |
| Movement in inventories  | <b>987</b>      |                        | (1,504)        |                      |
| Movement in pension liability  | <b>147,721</b>  |                        | 12,674         |                      |
| Contributions to provisions  | <b>(3,314)</b>  |                        | 6,980          |                      |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised   | <b>13,574</b>   |                        | 41,413         |                      |
| Movement in investment property values   | <b>575</b>      |                        | (5,491)        |                      |
| Other non-cash movements   | <b>(941)</b>    |                        | 1,094          |                      |
|  |                 | <b>154,442</b>         |                | 54,625               |
| <u>Adjustment for investing or financing activities</u>  |                 |                        |                |                      |
| Capital grants credited to surplus or deficit on the provision of services                         |                 | <b>(104,269)</b>       | (44,097)       |                      |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets |                 | <b>(45,538)</b>        | (63,339)       |                      |
|  |                 | <b>(149,807)</b>       |                | (107,436)            |
| <b>Net cash flows from operating activities</b>  |                 | <b><u>(35,505)</u></b> |                | <b><u>56,881</u></b> |

**27. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

|                   | <u>2016/17</u>      | <u>2015/16</u>    |
|-------------------|---------------------|-------------------|
|                   | £'000               | £'000             |
| Interest received | <b>7,202</b>        | 4,668             |
| Interest paid     | <b>(2,547)</b>      | (4,015)           |
|                   | <b><u>4,655</u></b> | <b><u>653</u></b> |

**28. Cash Flow Statement – Investing Activities**

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000<br>(Restated) |
|--|-------------------------|---------------------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | <b>(108,753)</b>        | (75,621)                              |
| Purchase of short-term and long-term investments   | <b>(425,349)</b>        | (358,755)                             |
| Other payments for investing activities  | <b>(214)</b>            | (273)                                 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | <b>51,690</b>           | 57,340                                |
| Proceeds from short-term and long-term investments   | <b>405,000</b>          | 270,000                               |
| Other receipts from investing activities   | <b>103,998</b>          | 40,963                                |
| <b>Net cash flows from investing activities</b>  | <b><u>26,372</u></b>    | <b><u>(66,346)</u></b>                |

**29. Cash Flow Statement – Financing Activities**

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| Cash receipts of short and long-term borrowing   | <b>410</b>              | 320                     |
| Other receipts from financing activities         | -                       | -                       |
| Repayments of short-term and long-term borrowing | <b>(17,762)</b>         | (21,345)                |
| Other payments for financing activities          | <b>1,305</b>            | (2,913)                 |
| <b>Net cash flows from financing activities</b>  | <b><u>(16,047)</u></b>  | <b><u>(23,938)</u></b>  |

### 30. Trading Operations

The following activities operate on a trading account basis:

|                                   |              | <u>Turnover</u> | <u>Surplus/</u><br><u>(Deficit)</u> | <u>Turnover</u> | <u>Surplus/</u><br><u>(Deficit)</u> |
|-----------------------------------|--------------|-----------------|-------------------------------------|-----------------|-------------------------------------|
|                                   | <u>Notes</u> | <u>2016/17</u>  | <u>2016/17</u>                      | <u>2015/16</u>  | <u>2015/16</u>                      |
|                                   |              | £'000           | £'000                               | £'000           | £'000                               |
| Building Maintenance              | (i)          | 7,049           | 187                                 | 5,672           | (149)                               |
| Transport Operations              | (ii)         | 3,482           | 60                                  | 4,647           | 186                                 |
| Engineering Services              | (iii)        | 6,034           | 350                                 | 6,384           | 284                                 |
| Building Control                  |              | 1,127           | (140)                               | 1,408           | (6)                                 |
| Design Service                    |              | 2,916           | 95                                  | 2,945           | 98                                  |
| Street Trading                    |              | 232             | 62                                  | 241             | 36                                  |
| Land Charges                      | (iv)         | 429             | (75)                                | 521             | 52                                  |
| Learning Disability Complex Needs | (v)          | -               | -                                   | 1,583           | (99)                                |
|                                   |              | <b>21,269</b>   | <b>539</b>                          | <b>23,401</b>   | <b>402</b>                          |

During the year, trading accounts incurred a net surplus of £539,000 (£402,000 surplus in 2015/16), none of which was credited to revenue accounts (£55,000 in 2015/16), and the net surpluses of £539,000 were carried forward (£347,000 in 2015/16).

- (i) The Council runs a building maintenance operation principally to repair and refurbish residential properties and Council operational buildings. The trading objective is to provide cost effective services to the Council and make a reasonable trading surplus to finance future plant and equipment investments.
- (ii) The Council bids for transport contracts on an ad hoc basis depending on the availability of spare capacity at any given time. The trading objective is to provide cost effective services to the Council, in particular the Children's Services and Adult Social Services departments while minimising downtime on employees and vehicles.
- (iii) The Council provides a range of Highways related engineering services, covering scheme implementation and winter maintenance. The trading objective is to provide cost effective services for the Council and the DSO has a commitment to reduce service costs year on year in real terms.
- (iv) The Land Charges trading account was established on 1st April 2009 as a result of Local Authorities (Charges for Property Searches) Regulations 2008. The Regulations effectively require that the Local Land Charges function is operated as a statutory trading account and that over the course of any period of three consecutive financial years, a break-even position is achieved. Where a surplus or deficit is made in any given financial year, this will have to be taken into account when setting the fees in future years.

- (v) The Adult Care provider was the Council's in-house service, which supplemented the services commissioned from external providers that are required for people with learning and physical disabilities. This in-house service operated as a trading account between 1 April 2015 and 30 September 2015 and transferred to mutual status on 1 October 2015 continuing to provide appropriate care and support for both those with highly complex needs, and for those adults who need less intensive care but still require support to help them stay safe and lead active lives.

### 31. Pooled Budgets

#### Pooled Fund Schemes

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

Since 2015/16 the Council and Wandsworth Clinical Commissioning Group (CCG) have maintained a partnership agreement under S75 of the NHS Act 2006 to pool their Better Care Fund allocation and implement an integrated spending plan for the fund. This agreement incorporates the existing pooled budget arrangements created in 2014/15, for Carers Support Services, hosted by the Council and the Falls Prevention and Bone Health fund, hosted by the CCG.

The Council continued to operate the Integrated Community Equipment pooled budget with St Georges Healthcare NHS Trust. An agreement with South West London and St George's Mental Health Trust for the mental health staffing budget ended during 2015/16.

#### Better Care Fund

This scheme was established to improve the integration of health and social care and enable a shift in the focus of care from hospital to community provision.

|                            | <u>2016/17</u> | <u>2015/16</u> |
|----------------------------|----------------|----------------|
|                            | £'000          | £'000          |
| <b>Funding</b>             |                |                |
| Wandsworth CCG             | 13,267         | 13,222         |
| Wandsworth Borough Council | 7,079          | 7,079          |
|                            | <u>20,346</u>  | <u>20,301</u>  |
| <b>Expenditure</b>         |                |                |
| Wandsworth CCG             | 13,269         | 13,269         |
| Wandsworth Borough Council | 7,079          | 7,094          |
|                            | <u>20,348</u>  | <u>20,363</u>  |
| <b>Net deficit</b>         | <u>(2)</u>     | <u>(62)</u>    |

The net deficit of £2,000 falls to the Council.

In addition to the above revenue funding the Council received capital funding of £1,199,500 in the form of the Disabled Facilities Grant, which was also included in the Better Care Fund agreement. This was not spent in full due to the delay in some projects, the surplus will be carried forward into 2017/18.

### Integrated Community Equipment Service

This scheme was established on 1st April 2005 to create an integrated service for the provision of community based equipment for people with disabilities.

|                                  | <u>2016/17</u> | <u>2015/16</u> |
|----------------------------------|----------------|----------------|
|                                  | £'000          | £'000          |
| <b>Funding</b>                   |                |                |
| St George's Healthcare NHS Trust | 1,106          | 1,000          |
| Wandsworth Borough Council       | 958            | 711            |
|                                  | <u>2,064</u>   | <u>1,711</u>   |
| <b>Expenditure</b>               |                |                |
| St George's Healthcare NHS Trust | 1,106          | 987            |
| Wandsworth Borough Council       | 835            | 716            |
|                                  | <u>1,941</u>   | <u>1,703</u>   |
| <b>Net surplus/(deficit)</b>     | <u>123</u>     | <u>8</u>       |

The net surplus of £123,000 (a surplus of £8,000 in 2015/16) was the result of significant expenditure being charged to the Disabled Facilities Grant and all attributable to the Council. The Council wrote back its surplus to the General Fund. All expenditure incurred by St Georges Healthcare was recovered in full.

**Mental Health Social Work Staffing Partnership Agreement**

In February 2015, Council Committee recommended the return of the seconded mental health social work staff to the Education and Social Services Department to achieve better consistency of practice and performance. Notice was given, to South West London and St George's Mental Health Trust and the S75 staffing partnership staffing agreement was ended on the 1st of November 2015.

|   | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000<br>(Part Year) |
|---|-------------------------|--|
| <b>Funding</b>                                      |                         |  |
| South West London & St George's Mental Health Trust | -                       | 1,979                                  |
| Wandsworth Borough Council                          | -                       | 897                                    |
|   | <u>-</u>                | <u>2,876</u>                           |
| <b>Expenditure</b>                                  |                         |  |
| South West London & St George's Mental Health Trust | -                       | 2,114                                  |
| Wandsworth Borough Council                          | -                       | 908                                    |
|   | <u>-</u>                | <u>3,022</u>                           |
| <b>Net deficit</b>                                  | <u>-</u>                | <u>(146)</u>                           |

Of the net deficit of £146,000 in 2015/16, £11,000 fell to the Council and £135,000 fell to South West London & St George's.

**32. Members' Allowances**

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

|              | <u>2016/17</u><br>£ | <u>2015/16</u><br>£ |
|--------------|---------------------|---------------------|
| Allowances   | 1,024,831           | 996,249             |
| <b>Total</b> | <u>1,024,831</u>    | <u>996,249</u>      |

### 33. Officers' Remuneration and Exit Packages

The tables set out the remuneration disclosures for Senior Officers whose salary is £50,000 or more per year, and an analysis of exit packages paid during the year. Senior Officers whose remuneration exceeded £150,000 are named.

The Council entered into a Shared Staffing Arrangement (SSA) with Richmond Council from 1st October 2016. The table below details Wandsworth's proportion of the costs, the remaining balance is charged to Richmond Council. A number of officers with a salary greater than £50,000 employed by the Shared Staffing Arrangement are excluded from the table below as Wandsworth's element of the costs are below £50,000.

Senior, non school-based, Council staff remuneration is market-related and is revised annually using comparative information supplied by Hay Group management consultants. Salary progression for those staff is totally determined by performance level and there is no automatic incremental progression. The latest review undertaken by Hay Group and reported in June 2015 confirmed that the remuneration of Chief Officers should continue to reflect the upper quartile of the public and not for profit sector in London.

|                   | <u>2016/17</u>  |                 | <u>2015/16</u>  |                 |                   | <u>2016/17</u>  |                 | <u>2015/16</u>  |                 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|
|                   | <u>Officers</u> | <u>Teachers</u> | <u>Officers</u> | <u>Teachers</u> |                   | <u>Officers</u> | <u>Teachers</u> | <u>Officers</u> | <u>Teachers</u> |
|                   | No.             | No.             | No.             | No.             |                   | No.             | No.             | No.             | No.             |
| (£)               | No.             | No.             | No.             | No.             | (£)               | No.             | No.             | No.             | No.             |
| 50,000 - 54,999   | 64              | 129             | 51              | 142             | 135,000 - 139,999 | -               | -               | 2               | -               |
| 55,000 - 59,999   | 51              | 62              | 56              | 60              | 140,000 - 144,999 | 1               | -               | 2               | -               |
| 60,000 - 64,999   | 23              | 31              | 21              | 19              | 145,000 - 149,999 | -               | -               | 1               | -               |
| 65,000 - 69,999   | 19              | 17              | 15              | 21              | 150,000 - 154,999 | 2               | -               | -               | 1               |
| 70,000 - 74,999   | 18              | 13              | 8               | 14              | 155,000 - 159,999 | 3               | -               | 1               | 1               |
| 75,000 - 79,999   | 7               | 15              | 12              | 18              | 160,000 - 164,999 | 1               | -               | -               | -               |
| 80,000 - 84,999   | 13              | 11              | 9               | 9               | 165,000 - 169,999 | -               | -               | 2               | -               |
| 85,000 - 89,999   | 7               | 7               | 10              | 3               | 170,000 - 174,999 | -               | -               | -               | -               |
| 90,000 - 94,999   | 4               | 3               | 1               | 2               | 175,000 - 179,999 | -               | -               | 1               | -               |
| 95,000 - 99,999   | 5               | 1               | 1               | 4               | 180,000 - 184,999 | 1               | -               | 1               | -               |
| 100,000 - 104,999 | 4               | 3               | 1               | -               | 185,000 - 189,999 | 1               | -               | -               | -               |
| 105,000 - 109,999 | 3               | 2               | 8               | 2               | 190,000 - 194,999 | -               | -               | 1               | -               |
| 110,000 - 114,999 | 5               | -               | 2               | -               | 195,000 - 204,999 | -               | -               | -               | -               |
| 115,000 - 119,999 | 2               | 2               | 5               | 2               | 205,000 - 209,999 | 1               | -               | -               | -               |
| 120,000 - 124,999 | 3               | -               | -               | -               | 210,000 - 214,999 | -               | -               | 1               | -               |
| 125,000 - 129,999 | 1               | -               | -               | -               | 215,000 - 234,999 | -               | -               | -               | -               |
| 130,000 - 134,999 | 1               | 1               | -               | 1               | 235,000 - 239,999 | -               | -               | 1               | -               |

The total cost of £3.2 million for 2016/17 (£1.4 million for 2015/16) in the table below is for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. The increase is due to the commencement of the Shared Staffing Arrangement and the reorganisation of staff with the London Borough of Richmond upon Thames.

| Exit Packages     |                  | <u>Number of</u><br><u>Compulsory</u><br><u>redundancies</u> |                | <u>Number of other</u><br><u>departures</u><br><u>agreed</u> |                | <u>Total number of</u><br><u>exit packages by</u><br><u>cost band</u> |                | <u>Total cost of exit</u><br><u>packages in each band</u> |                |
|-------------------|------------------|--|----------------|--|----------------|---|----------------|---|----------------|
|                   |                  | <u>2016/17</u>   | <u>2015/16</u> | <u>2016/17</u>   | <u>2015/16</u> | <u>2016/17</u>  | <u>2015/16</u> | <u>2016/17</u>  | <u>2015/16</u> |
| <u>(£)</u>        |                  |  |                |  |                |   |                | <u>(£)</u>  | <u>(£)</u>     |
| 0 - 20,000        | Council Officers | <b>20</b>  | 17             | <b>29</b>  | 3              | <b>49</b>   | 20             | <b>431,762</b>  | 196,934        |
|                   | Schools          | <b>3</b>   | 8              | <b>17</b>  | 9              | <b>20</b>   | 17             | <b>157,870</b>  | 108,952        |
| 20,001 - 40,000   | Council Officers | <b>14</b>  | 1              | <b>29</b>  | 7              | <b>43</b>   | 8              | <b>1,225,133</b>  | 233,332        |
|                   | Schools          | -  | -              | <b>2</b>   | -              | <b>2</b>  | -              | <b>63,591</b>   | -              |
| 40,001 - 60,000   | Council Officers | <b>2</b>   | -              | <b>7</b>   | 3              | <b>9</b>  | 3              | <b>434,506</b>  | 136,062        |
|                   | Schools          | -  | -              | <b>1</b>   | -              | <b>1</b>  | -              | <b>56,000</b>   | -              |
| 60,001 - 80,000   | Council Officers | <b>3</b>   | 1              | <b>5</b>   | 4              | <b>8</b>  | 5              | <b>545,994</b>  | 343,935        |
|                   | Schools          | -  | -              | -  | 1              | -   | 1              | -   | 62,750         |
| 80,001 - 100,000  | Council Officers | <b>1</b>   | 1              | <b>1</b>   | 3              | <b>2</b>  | 4              | <b>175,844</b>  | 351,860        |
|                   | Schools          | -  | -              | -  | -              | -   | -              | -   | -              |
| 100,001 - 150,000 | Council Officers | -  | -              | <b>1</b>   | -              | <b>1</b>  | -              | <b>104,723</b>  | -              |
|                   | Schools          | -  | -              | -  | -              | -   | -              | -   | -              |
| <b>Total</b>      |                  | <b>43</b>  | 28             | <b>92</b>  | 30             | <b>135</b>  | 58             | <b>3,195,423</b>  | 1,433,825      |

| <u>2016/17</u>   |             | <u>Apr - Sept</u><br><u>Salary</u><br><u>(including fees</u><br><u>and</u><br><u>allowances)</u> | <u>Oct - Mar</u><br><u>Salary</u><br><u>(including</u><br><u>fees and</u><br><u>allowances)</u> | <u>Bonuses</u> | <u>Other Taxable</u><br><u>Benefits</u> | <u>Compensation</u><br><u>for loss of office</u> | <u>Remuneration</u><br><u>excluding</u><br><u>pension</u><br><u>contributions</u><br><u>2016/17</u> | <u>Employers</u><br><u>pension</u><br><u>contribution</u> | <u>Remuneration</u><br><u>including</u><br><u>pension</u><br><u>contributions</u><br><u>2016/17</u> |
|--|-------------|--|---|----------------|---|--|---|---|---|
| <u>Post Holder</u>   | <u>Note</u> | <u>£</u>   | <u>£</u>  | <u>£</u>       | <u>£</u>                                | <u>£</u>   | <u>£</u>  | <u>£</u>  | <u>£</u>  |
| Chief Executive and Director of Administration - D. Martin             | 1           | 120,090  | 71,330  | 15,336         | 2,366                                   | -  | <b>209,122</b>  | 37,856  | <b>246,978</b>  |
| Director of Children's Services - D. Warwick                           | 2           | 94,608   | 85,151  | 5,040          | 1,024                                   | -  | <b>185,823</b>  | 33,512  | <b>219,335</b>  |
| Borough Solicitor and Assistant Director of Administration - M. Walker | 3           | 75,891   | 75,356  | 9,149          | 3,210                                   | -  | <b>163,606</b>  | 31,085  | <b>194,691</b>  |
| Director of Housing and Regeneration - B. Reilly                       | 4           | 89,776   | 52,096  | 13,151         | 2,280                                   | -  | <b>157,303</b>  | 28,014  | <b>185,317</b>  |
| Director of Finance and Deputy Chief Executive - C. Buss               | 5           | 78,452   | 89,189  | 12,247         | 3,062                                   | -  | <b>182,950</b>  | 1,193   | <b>184,143</b>  |
| Deputy Director of Children's Services - J. Johnson                    | 6           | 72,203   | 72,166  | 4,906          | 2,449                                   | -  | <b>151,724</b>  | 27,032  | <b>178,756</b>  |
| Head of Office Premises Management Services - J. Dutton                | 7           | 39,898   | 42,890  | 3,835          | -                                       | 72,175   | <b>158,798</b>  | 15,975  | <b>174,773</b>  |
| Assistant Director (Revenue Services) - K. Legg                        | 8           | 54,052   | -   | 11,351         | -                                       | 92,760   | <b>158,163</b>  | 12,427  | <b>170,590</b>  |
| Assistant Director (Corporate Finance) - M. Hall                       | 9           | 45,928   | 13,330  | 10,027         | 1,500                                   | 83,084   | <b>153,869</b>  | 13,340  | <b>167,209</b>  |
| Deputy Director of Environment and Community Services                  | 10          | 74,653   | 42,339  | 9,142          | 852                                     | -  | <b>126,986</b>  | 22,302  | <b>149,288</b>  |
| Assistant Director (IT and Business Management)                        | 11          | 72,846   | 40,340  | 8,622          | 2,459                                   | -  | <b>124,267</b>  | 21,730  | <b>145,997</b>  |
| Assistant Director (Operations)  | 12          | 64,857   | 40,086  | 6,982          | 1,499                                   | -  | <b>113,424</b>  | 19,712  | <b>133,136</b>  |
| Director of Public Health  | 13          | 65,717   | 35,448  | 5,754          | 1,259                                   | -  | <b>108,178</b>  | 14,206  | <b>122,384</b>  |
| Assistant Chief Executive (Policy and Performance)                     | 14          | 50,312   | 28,264  | 5,564          | 1,558                                   | -  | <b>85,698</b>   | 14,434  | <b>100,132</b>  |
| Director of Resources and Deputy Chief Executive - M. Maidment         | 15          | -  | 50,904  | -              | -                                       | -  | <b>50,904</b>   | 9,672   | <b>60,576</b>   |
| Director of Environment and Community Services - P. Chadwick           | 16          | -  | 46,450  | -              | -                                       | -  | <b>46,450</b>   | 8,825   | <b>55,275</b>   |
| Assistant Chief Executive (Customer and Partnerships)                  | 17          | -  | 35,442  | -              | -                                       | -  | <b>35,442</b>   | 6,734   | <b>42,176</b>   |

**2016/17 Continued**

The Council entered into a Shared Staffing Arrangement (SSA) with Richmond Council with a merged joint management team from 1st October 2016. The above table details Wandsworth's proportion of the costs, the remaining balance is charged to Richmond Council. The annual remuneration includes pension contributions at 16% of officer's basic salary. Additional contributions are made directly by Wandsworth and Richmond Councils in line with pre-SSA contributions, these are 3% and 1.4% respectively and are included in the table above.

**Note 1** - This officer's total annual remuneration was £296,233.

**Note 2** - This officer, although part of the SSA, was paid 100% by Wandsworth.

**Note 3** - This officer's remuneration includes an annual amount of £7,698 in respect of his role on the Western Riverside Waste Authority.

**Note 4** - This officer's total annual remuneration was £221,309.

**Note 5** - This officer's remuneration includes an annual amount of £5,743 in respect of his role on the Western Riverside Waste Authority.

**Note 6** - This officer, although part of the SSA, was paid 100% by Wandsworth.

**Note 7** - This officer left the Council on 2nd April 2017.

**Note 8** - This officer left the Council on 30th September 2016, as a result the bonuses paid to this officer includes the performance related element of pay for 2015/16 and part year for 2016/17. The annualised remuneration prior to him leaving was £131,520.

**Note 9** - This officer left the Council on 20th November 2016, as a result the bonuses paid to this officer includes the performance related element of pay for 2015/16 and part year for 2016/17. The annualised remuneration prior to him leaving was £110,901.

**Note 10** - This officer's total annual remuneration was £178,507.

**Note 11** - This officer's total annual remuneration was £170,389.

**Note 12** - This officer's total annual remuneration was £154,259.

**Note 13** - This officer's total annual remuneration was £146,641.

**Note 14** - This officer's total annual remuneration was £119,669.

**Note 15** - This officer's annual total remuneration was £178,429.

**Note 16** - This officer's annual total remuneration was £162,601.

**Note 17** - This officer's annual total remuneration was £129,352.

| <u>2015/16</u>   | <u>Salary<br/>(including<br/>fees and<br/>allowances)</u> | <u>Bonuses</u> | <u>Other<br/>Taxable<br/>Benefits</u> | <u>Compensation<br/>for loss of<br/>office</u> | <u>Remuneration<br/>excluding<br/>pension<br/>contributions<br/>2015/16</u> | <u>Employers<br/>pension<br/>contribution</u> | <u>Remuneration<br/>including<br/>pension<br/>contributions<br/>2015/16</u> |
|--|---|----------------|---------------------------------------|--|---|---|---|
| <u>Note</u>  | <u>£</u>  | <u>£</u>       | <u>£</u>                              | <u>£</u>                                       | <u>£</u>  | <u>£</u>                                      | <u>£</u>  |
| <b>Post Holder</b>   |   |                |                                       |  |   |   |   |
| Chief Executive and Director of Administration - D. Martin             | 219,089   | 15,379         | 2,532                                 | -  | <b>237,000</b>  | 45,030  | <b>282,030</b>  |
| Assistant Director (Children's Specialist Services) - C. Duffy         | 108,700   | 6,841          | -                                     | 94,950   | <b>210,491</b>  | 17,144  | <b>227,635</b>  |
| Director of Children's Services - D. Warwick                           | 172,822   | 16,197         | 1,088                                 | -  | <b>190,107</b>  | 35,202  | <b>225,309</b>  |
| Deputy Head of Customer and Parking Services - R. Long                 | 84,217  | 11,259         | -                                     | 89,356   | <b>184,832</b>  | 18,110  | <b>202,942</b>  |
| Director of Housing and Community Services - B. Reilly                 | 154,722   | 10,417         | 2,446                                 | -  | <b>167,585</b>  | 31,841  | <b>199,426</b>  |
| Head of Pensions, Payments and Support - R. Claxton                    | 77,978  | 14,941         | 1,988                                 | 83,881   | <b>178,788</b>  | 17,397  | <b>196,185</b>  |
| Borough Solicitor and Assistant Director of Administration - M. Walker | 145,089   | 10,931         | 3,323                                 | -  | <b>159,343</b>  | 30,275  | <b>189,618</b>  |
| Director of Finance and Deputy Chief Executive - C. Buss               | 149,796   | 13,782         | 3,187                                 | -  | <b>166,765</b>  | 17,322  | <b>184,087</b>  |
| Assistant Director (IT and Business Management)                        | 126,793   | 10,729         | 2,624                                 | -  | <b>140,146</b>  | 26,628  | <b>166,774</b>  |
| Joint Commissioning Manager  | 75,009  | 5,332          | -                                     | 69,335   | <b>149,676</b>  | 15,265  | <b>164,941</b>  |
| Deputy Director of Housing and Community Services                      | 126,097   | 9,211          | 913                                   | -  | <b>136,221</b>  | 25,882  | <b>162,103</b>  |
| Deputy Director of Children's Services                                 | 122,645   | 10,321         | 2,549                                 | -  | <b>135,515</b>  | 25,748  | <b>161,263</b>  |
| Mental Health Commissioning Manager                                    | 72,190  | 5,080          | -                                     | 66,141   | <b>143,411</b>  | 14,561  | <b>157,972</b>  |
| Economic Development Officer   | 97,898  | 7,508          | -                                     | -  | <b>105,406</b>  | 20,027  | <b>125,433</b>  |
| Director of Public Health  | 103,520   | 4,115          | -                                     | -  | <b>107,635</b>  | 14,803  | <b>122,438</b>  |

| <u>2015/16 Continued</u>          | <u>Note</u> | <u>Salary<br/>(including<br/>fees and<br/>allowances)</u> | <u>Bonuses</u> | <u>Other<br/>Taxable<br/>Benefits</u> | <u>Compensation<br/>for loss of<br/>office</u> | <u>Remuneration<br/>excluding<br/>pension<br/>contributions<br/>2015/16</u> | <u>Employers<br/>pension<br/>contribution</u> | <u>Remuneration<br/>including<br/>pension<br/>contributions<br/>2015/16</u> |
|-----------------------------------|-------------|---|----------------|---------------------------------------|--|---|---|---|
| <u>Post Holder</u>                |             | <u>£</u>  | <u>£</u>       | <u>£</u>                              | <u>£</u>                                       | <u>£</u>  | <u>£</u>                                      | <u>£</u>  |
| Head of Policy and Communications |             | 79,490  | 7,282          | 1,581                                 | -  | <b>88,353</b>   | 16,787  | <b>105,140</b>  |
| Acting Head of Human Resources    | 8           | 69,068  | 5,222          | -                                     | -  | <b>74,290</b>   | 14,115  | <b>88,405</b>   |
| Head of Human Resources           | 9           | 29,578  | 7,915          | 634                                   | -  | <b>38,127</b>   | 7,244   | <b>45,371</b>   |

**Note 1** - This officer left the Council on 31st January 2016. The annualised remuneration prior to her leaving was £100,938.

**Note 2** - This officer left the Council on 31st March 2016.

**Note 3** - This officer left the Council on 31st December 2015. The annualised remuneration prior to him leaving was £99,516.

**Note 4** - This officer's remuneration includes an annual amount of £2,541 in respect of his role on the Western Riverside Waste Authority.

**Note 5** - This officer's remuneration includes an annual amount of £5,718 in respect of his role on the Western Riverside Waste Authority.

**Note 6** - This officer left the Council on 31st March 2016.

**Note 7** - This officer left the Council on 31st March 2016.

**Note 8** - This officer became the Acting Head of Human Resources on 1st September 2015.

**Note 9** - This officer left the Council on 2nd August 2015. The annualised remuneration prior to him leaving was £84,688.

**34. 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 (Ernst & Young LLP). The Council's previous auditors were PricewaterhouseCoopers LLP.

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| Fees payable to external auditors with regard to external audit services carried out by the appointed auditors | 133                     | 198                     |
| Fees payable to external auditors for the certification of grant claims and returns by the appointed auditors  | 22                      | 46                      |
| Fees payable in respect of other services provided by the appointed auditors                                   | -                       | 16                      |
| Fees payable to the Cabinet Office in respect of the National Fraud Initiative                                 | 4                       | -                       |
| <b>Total</b>   | <u><u>159</u></u>       | <u><u>260</u></u>       |

The costs above relate to the billing of the external audit costs. The costs as applied to each financial year is £112k for the audit of the main Council financial statements (2015/16: £112k), £21k for the audit of the pension fund financial statements (2015/16: £21k), £22k for the certification of claims and returns (2015/16: £22k), £nil for other services (2015/16: £16k), and £4k in respect of the National Fraud Initiative (2015/16: £nil).

**35. Dedicated Schools Grant****Disclosure of Deployment of Dedicated Schools Grant 2016/17**

|   | <b>2016/17</b> |                | <b>Total</b>    |
|---|----------------|----------------|-----------------|
|   | <b>Central</b> | <b>ISB</b>     |                 |
| <b>Expenditure</b>                              | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>    |
| Final DSG for 2016/17 before Academy recoupment |                |                | 210,390         |
| Academy figure recouped for 2016/17             |                |                | <u>(59,139)</u> |
| Total DSG after Academy recoupment for 2016/17  |                |                | 151,251         |
| Brought forward from 2015/16                    |                |                | 2,016           |
| Carry-forward to 2017/18 agreed in advance      |                |                | <u>61</u>       |
| Agreed initial budgeted distribution in 2016/17 | 27,637         | 125,691        | 153,328         |
| In year adjustments                             | -              | -              | -               |
| Final budgeted distribution in 2016/17          | <u>27,637</u>  | <u>125,691</u> | <u>153,328</u>  |
| Less Actual central expenditure                 | (27,604)       | -              | (27,604)        |
| Less Actual ISB deployed to schools             | -              | (125,691)      | (125,691)       |
| Plus Local authority contribution for 2016/17   | -              | -              | -               |
| <b>Carry-forward to 2017/18</b>                 | <b>33</b>      | <b>-</b>       | <b>(28)</b>     |

The Council's expenditure on schools is largely funded by grant monies provided by the Department for Education - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. The Council is able to supplement the Schools Budget from its own resources but no supplement was made in 2016/17.

Education balances, including Dedicated Schools Grant (DSG) and school loan expenditure amounted to £14.118 million at 31st March 2017, compared with £24.947 million a year earlier. Individual school balance surpluses at 31st March 2017 ranged from a deficit of £637,052 to a surplus of £1,189,409. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

**Education Balances**

|                            | <b>2016/17</b> | <b>Movement</b> | <b>2015/16</b> |
|----------------------------|----------------|-----------------|----------------|
|                            | <b>£'000</b>   | <b>£'000</b>    | <b>£'000</b>   |
| Individual School Balances | <b>15,225</b>  | (7,382)         | 22,607         |
| School Loans               | <b>(1,295)</b> | (1,339)         | 44             |
| Non-Delegated              | <b>188</b>     | (2,108)         | 2,296          |
| <b>Total</b>               | <b>14,118</b>  | <b>(10,829)</b> | <b>24,947</b>  |

**36. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

|  | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--|-------------------------|-------------------------|
| <b>Credited to Taxation and Non Specific Grant</b> |                         |                         |
| Revenue Support Grant                              | 46,957                  | 57,020                  |
| Non Specific Revenue Grants                        | 17,091                  | 12,123                  |
| Capital Grants and Contributions                   | 104,268                 | 44,097                  |
| National Non-Domestic Rates Top Up Grant           | 36,021                  | 35,723                  |
| <b>Total</b>                                       | <u><u>204,337</u></u>   | <u><u>148,963</u></u>   |
| <b>Credited to Services</b>                        |                         |                         |
| Dedicated Schools Grant                            | 151,251                 | 152,062                 |
| Rent Allowance Subsidy                             | 117,206                 | 122,259                 |
| Rent Rebate Subsidy                                | 70,978                  | 73,788                  |
| Public Health Grant                                | 28,757                  | 26,597                  |
| Pupil Premium                                      | 8,324                   | 8,675                   |
| Non-HRA Rent Rebate Subsidy                        | 8,161                   | 6,887                   |
| 6th Form Funding                                   | 3,967                   | 4,147                   |
| Universal Infant Free School Meals Grant           | 2,475                   | 2,298                   |
| Adult Education                                    | 1,866                   | 2,125                   |
| Housing Benefit Admin Subsidy                      | 1,697                   | 2,033                   |
| DHP Subsidy  | 1,012                   | 896                     |
| Troubled Families                                  | 586                     | 618                     |
| Asylum Seekers                                     | 494                     | 374                     |
| NNDR Cost of Collection Allowance                  | 463                     | 469                     |
| Localising Council Tax Support                     | 453                     | 387                     |
| Youth Justice Board - Youth Offending Team         | 397                     | 451                     |
| SEN Reform Grant                                   | 323                     | 185                     |
| Social Care in Prisons                             | 283                     | 296                     |
| Adoption Support Fund                              | 63                      | 273                     |
| Other  | 2,826                   | 4,329                   |
|  | <u><u>401,582</u></u>   | <u><u>409,149</u></u>   |

**Capital Grants Receipts in Advance**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

|  | <u>31st March 2017</u> | <u>31st March 2016</u> |
|--|------------------------|------------------------|
|  | £'000                  | £'000                  |
| Devolved (Formula Capital for Schools) | 351                    | 570                    |
| Free Schools                           | 1,639                  | 1,677                  |
| Other                                  | 1,211                  | 1,625                  |
| <b>Total</b>                           | <u><u>3,201</u></u>    | <u><u>3,872</u></u>    |

## **37. Related Parties**

### **Declarations by Members and Chief Officers**

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

This disclosure note has been prepared based on declarations made by Members of Wandsworth Council and Chief Officers employed by the Wandsworth and Richmond Shared Staffing Arrangement (SSA), in respect of related party transactions, and using the Council's register of Members' declarations of interest.

There are no declarable related party transactions with Chief Officers, Members, or their related parties with the exceptions of the following:

### **Central Government**

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

### **Pension Fund**

The Council charged the Pension Fund £618,960 for expenses incurred in administering the Fund in 2016/17, £25,000 was paid by the Pension Fund to London Councils as an annual subscription for London LGPS CIV Ltd, of which Mr. C Buss (Director of Finance) was a Director.

### **North East Surrey Crematorium Board**

The Board was composed of 11 councillors of three London borough councils: Merton, Sutton and Wandsworth. Councillors Mrs C Clay, Ms. C Jones, Ms. S McKinney, Mr. M Ryder and Mr. S Thom were appointed by the Council. Mrs JM Stevenson (Financial Controller) was Treasurer to the Board. Mr. P Guillioti (Assistant Director - Financial Services) was Auditor to the Board. The Board has regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf. At the year-end the Council had a £610,000 7-day notice loan outstanding from the Board, making interest payments on similar loans of £1,014 during the year.

### **Wandsworth BC Trading Limited**

This company is a wholly owned Local Authority Trading Company with the Council as the sole shareholder. The Board comprises Councillor Mr. G Senior, Mr. C Buss (Director of Finance) and Mr. K Power (Deputy Director of Housing and Community Services) as Directors of the company. During the year, the Council provided services totalling £333,931 to the company.

### **Western Riverside Waste Authority (WRWA)**

The Authority was composed of eight members from four London borough councils: Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors Mr. J Cook and Mr. G Senior were appointed by the Council. Mr. M Walker (Borough Solicitor) was Clerk to the Authority. Mr. C Buss (Director of Finance) was Treasurer to the Authority. Mr. P Guillotti (Assistant Director - Financial Services) was Auditor to the Authority. Ms K Burston (Financial Controller) was Deputy Treasurer to the Authority. During the year there were refuse disposal charges of £11,679,484 levy payments of £1,410,002, and non-domestic waste charges of £61,054 to the WRWA.

### **Greater London Authority**

The Greater London Authority (GLA) has responsibility for Transport for London, London Development Agency, Metropolitan Police Authority and the London Fire and Emergency Planning Authority (LFEPA). Councillors Mr. M Heaster Ms. L Cooper were members of the LFEPA. Collection Fund payments were made to the GLA of £58,218,862. Grant and reimbursement income of £2,521,336 was received from Transport for London.

### **London Councils Grants Committee**

The Committee was composed of 33 members from London borough councils and the Corporation of London. Councillor Mr. P Ellis was appointed by the Council. During the year payments totalling £311,245 were made to the Committee.

### **London Councils**

London Councils is formed largely of members from the London borough councils. Councillor Mr. R Govindia represents Wandsworth Council on the Leadership Committee of London Councils and Councillor Mrs C Usher represents the council on the Transport and Environment Committee. During the year, subscriptions totalling £136,958 were paid by the Council. Councillor Mr. M Heaster was a committee member for the London LGPS CIV Ltd in 2016/17.

### **Wandle Valley Regional Park**

The Wandle Valley Regional Park Trust was constituted as a Limited Company in July 2012. The Board is comprised of 16 Trustees/Directors, 50% nominated by Croydon, Merton, Sutton and Wandsworth Councils, and 50% by partner organisations. The Council nominated Councillors Mr. C Lescott and Mrs S McDermott as representatives on the Trust's Board. During 2016/17, the Council made payments of £5,000 to the Trust.

### **One Trust Limited**

One Trust provide day care services to Wandsworth Council. Councillor Mrs C Clay was a Trustee of One Trust. During 2016/17, the Council made payments for services of £1,617,419 to One Trust. During the year, the Council received £381,372 for rent, interest payments and support services from One Trust.

### **Members and Officers**

Members of the Council have direct influence over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 32. During the year, works and services to the value of £2,000,872 were commissioned from companies, voluntary and similar organisations in which 8 members and 5 officers declared an interest. Contracts were entered into in full compliance with the Council's standing orders.

### 38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

|   | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|---|-------------------------|-------------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>357,072</b>          | 384,159                 |
| <b>Capital investment</b>   |                         |                         |
| Property, Plant and Equipment   | <b>87,556</b>           | 67,801                  |
| Investment Properties   | <b>16,423</b>           | 6,857                   |
| Intangible Assets   | -                       | -                       |
| Revenue Expenditure Funded from Capital under Statute                                     | <b>27,675</b>           | 18,490                  |
| <b>Sources of finance</b>   |                         |                         |
| Capital receipts  | <b>(49,179)</b>         | (50,000)                |
| Government grants and other contributions   | <b>(52,127)</b>         | (27,375)                |
| Sums set aside from revenue   | <b>(3,158)</b>          | (5,649)                 |
| Minimum Revenue Provision (HRA)   | <b>(37,900)</b>         | (31,373)                |
| Adjustment for write-off in prior year  | -                       | (5,838)                 |
| <b>Closing Capital Financing Requirement</b>  | <b><u>346,362</u></b>   | <u>357,072</u>          |
| <b>Explanation of movements in year</b>   |                         |                         |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | <b>27,190</b>           | 10,196                  |
| Decrease in underlying need to borrowing (unsupported by government financial assistance) | <b>(37,900)</b>         | (37,283)                |
| <b>(Decrease) in Capital Financing Requirement</b>  | <b><u>(10,710)</u></b>  | <u>(27,087)</u>         |

**39. Leases****Authority as Lessee****Operating Leases**

The future minimum lease payments due under non-cancellable leases in future and current year are:

|  | <u>2017/18</u><br>£'000 | <u>2016/17</u><br>£'000 |
|--|-------------------------|-------------------------|
| Not later than 1 year                        | 3,084                   | 3,870                   |
| Later than 1 year and not later than 5 years | 290                     | 4,706                   |
| Later than 5 years                           | 462                     | 467                     |
| <b>Total payments</b>                        | <u><u>3,836</u></u>     | <u><u>9,043</u></u>     |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £4,653,000 and the outstanding undischarged obligations are estimated to be £3,836,000.

|                    | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|--------------------|-------------------------|-------------------------|
| Land and Buildings | 4,653                   | 3,144                   |
| <b>Total</b>       | <u><u>4,653</u></u>     | <u><u>3,144</u></u>     |

**Authority as Lessor**

Assets valued at £65.9 million (£34.9 million in 2015/16) are held for use in operating leases, for which rent of £5.2 million was receivable during 2016/17 (£3.4 million in 2015/16). These assets are mostly investment properties which are not subject to depreciation.

## 40. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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.

The Council participates in four statutory defined benefit final salary pension schemes:

- 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 contributes toward the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme has in excess of 7,000 participating employers 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 2016/17, the Council paid £8.743 million (£8.691 million in 2015/16) to Teachers' Pensions in respect of teachers' retirement benefits. The contributions due to be paid in the next financial year are estimated to be £8.831 million.

- Some statutorily transferred staff are members of the National Health Service Pension Scheme. The scheme is unfunded and is administered by NHS Pensions, part of the NHS Business Services Authority. 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 2016/17, the Council paid £0.124 million (£0.124 million in 2015/16) to NHS Pensions in respect of members retirement benefits. The contributions due to be paid in the next financial year are estimated to be £0.126 million.

- Some statutorily transferred staff are members of the London Pension Fund Authority (LPFA) Scheme, administered under the Local Government Pension Scheme Regulations.
- Other employees, subject to certain qualifying criteria, are eligible to join the Council's own funded scheme also administered under the Local Government Pension Scheme Regulations.

### **Discretionary Post-employment Benefits**

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

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

### **Transactions Relating to Post-employment Benefits**

We recognise 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 charge we are required to make against council tax is based on the cash payable in the year, so the real cost is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

|   | Year to 31st March 2017 |              |                | Year to 31st March 2016 |         |          |
|---|-------------------------|--------------|----------------|-------------------------|---------|----------|
|   | Council                 | LPFA         | Total          | Council                 | LPFA    | Total    |
| <b>Comprehensive Income and Expenditure Statement</b>   | £'000                   | £'000        | £'000          | £'000                   | £'000   | £'000    |
| <i>Cost of services:</i>  |                         |              |                |                         |         |          |
| Current service cost  | 33,361                  | 349          | 33,710         | 35,727                  | 450     | 36,177   |
| Past service costs including Settlements and curtailments   | 1,912                   | 68           | 1,980          | 1,812                   | -       | 1,812    |
| <i>Financing and Investment Income and Expenditure</i>  |                         |              |                |                         |         |          |
| Net Settlements   | (56,429)                | -            | (56,429)       | (10,646)                | (2,434) | (13,080) |
| Net interest expense  | 11,806                  | 325          | 12,131         | 10,458                  | 348     | 10,806   |
| Administration expenses   | 495                     | 66           | 561            | 639                     | 97      | 736      |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services  | <b>(8,855)</b>          | <b>808</b>   | <b>(8,047)</b> | 37,990                  | (1,539) | 36,451   |
| <i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>  |                         |              |                |                         |         |          |
| Remeasurement of the net defined benefit liability comprising:  |                         |              |                |                         |         |          |
| - Return on plan assets (excluding the amount included in the net interest expense)   | 219,257                 | 8,531        | 227,788        | (55,501)                | (2,030) | (57,531) |
| - Other actuarial gains/(losses) on assets  | 10,920                  | 288          | 11,208         | -                       | -       | -        |
| - Actuarial gains and losses arising on changes in demographic assumptions  | (22,212)                | 1,443        | (20,769)       | -                       | -       | -        |
| - Actuarial gains and losses arising on changes in financial assumptions  | (211,575)               | (10,211)     | (221,786)      | 103,374                 | 4,224   | 107,598  |
| - Other   | 77,848                  | 2,839        | 80,687         | (330)                   | (1)     | (331)    |
| <i>Total post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>   | <b>74,238</b>           | <b>2,890</b> | <b>77,128</b>  | 47,543                  | 2,193   | 49,736   |
| <b>Movement in Reserves Statement</b>   |                         |              |                |                         |         |          |
| Reversal of net charges made to surplus or deficit for the Provision of Services for post-employment benefits in accordance with the code <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | 8,855                   | (808)        | 8,047          | (37,990)                | 1,539   | (36,451) |
| Employers' contributions payable to scheme  | 20,974                  | 648          | 21,622         | 23,110                  | 667     | 23,777   |

**Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

|   | <u>Council</u><br><u>2016/17</u><br>£'000 | <u>LPFA</u><br><u>2016/17</u><br>£'000 | <u>Total</u><br><u>2016/17</u><br>£'000 | <u>Council</u><br><u>2015/16</u><br>£'000 | <u>LPFA</u><br><u>2015/16</u><br>£'000 | <u>Total</u><br><u>2015/16</u><br>£'000 |
|---|---|--|---|---|--|---|
| Present value of the defined benefit obligation           | 1,761,536                                 | 65,809                                 | 1,827,345                               | 1,456,381                                 | 60,942                                 | 1,517,323                               |
| Fair value of plan assets                                 | 1,382,944                                 | 58,690                                 | 1,441,634                               | 1,151,112                                 | 51,093                                 | 1,202,205                               |
| Sub-total   | 378,592                                   | 7,119                                  | 385,711                                 | 305,269                                   | 9,849                                  | 315,118                                 |
| Other movements in the liability (asset)                  | -   | -                                      | -                                       | -   | -                                      | -                                       |
| Net liability arising from the defined benefit obligation | 378,592                                   | 7,119                                  | 385,711                                 | 305,269                                   | 9,849                                  | 315,118                                 |

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

|  | <u>Council</u><br><u>2016/17</u><br>£'000 | <u>LPFA</u><br><u>2016/17</u><br>£'000 | <u>Total</u><br><u>2016/17</u><br>£'000 | <u>Council</u><br><u>2015/16</u><br>£'000 | <u>LPFA</u><br><u>2015/16</u><br>£'000 | <u>Total</u><br><u>2015/16</u><br>£'000 |
|--|---|--|---|---|--|---|
| Opening fair value of scheme assets  | 1,151,112                                 | 51,093                                 | 1,202,205                               | 1,172,880                                 | 64,595                                 | 1,237,475                               |
| Interest income  | 39,210                                    | 1,689                                  | 40,899                                  | 38,791                                    | 1,601                                  | 40,392                                  |
| <i>Remeasurement gain/(loss):</i>  |   |  |   |   |  |   |
| - The return on plan assets, excluding the amount included in the net interest expense | 219,257                                   | 8,531                                  | 227,788                                 | (55,501)                                  | (2,030)                                | (57,531)                                |
| - Other actuarial (losses)/gains   | 10,920                                    | 288                                    | 11,208                                  | -   | -                                      | -                                       |
| Administration expenses  | (495)                                     | (66)                                   | (561)                                   | (639)                                     | (97)                                   | (736)                                   |
| The effect of changes in foreign exchange rates  | -   | -                                      | -                                       | -   | -                                      | -                                       |
| Contributions from employer  | 20,974                                    | 648                                    | 21,622                                  | 23,110                                    | 667                                    | 23,777                                  |
| Contributions from employees into the scheme   | 8,924                                     | 76                                     | 9,000                                   | 8,726                                     | 87                                     | 8,813                                   |
| Benefits paid  | (53,062)                                  | (3,569)                                | (56,631)                                | (46,901)                                  | (3,084)                                | (49,985)                                |
| Settlement prices received/(paid)  | (13,896)                                  | -                                      | (13,896)                                | 10,646                                    | (10,646)                               | -                                       |
| <b>31st March</b>  | <b>1,382,944</b>                          | <b>58,690</b>                          | <b>1,441,634</b>                        | <b>1,151,112</b>                          | <b>51,093</b>                          | <b>1,202,205</b>                        |

**Assets and Liabilities in Relation to Retirement Benefits****Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

|  | <u>Council</u>   | <u>LPFA</u>    | <u>Total</u>     | <u>Council</u>   | <u>LPFA</u>    | <u>Total</u>     |
|--|------------------|----------------|------------------|------------------|----------------|------------------|
|  | <u>2016/17</u>   | <u>2016/17</u> | <u>2016/17</u>   | <u>2015/16</u>   | <u>2015/16</u> | <u>2015/16</u>   |
|  | £'000            | £'000          | £'000            | £'000            | £'000          | £'000            |
| Opening balance on 1st April   | 1,456,381        | 60,942         | 1,517,323        | 1,510,812        | 78,843         | 1,589,655        |
| Current service cost   | 33,361           | 349            | 33,710           | 35,727           | 450            | 36,177           |
| Interest cost  | 51,016           | 2,014          | 53,030           | 49,249           | 1,949          | 51,198           |
| Contributions from scheme participants                                   | 8,924            | 76             | 9,000            | 8,726            | 87             | 8,813            |
| <i>Remeasurement (gains) and losses:</i>                                 |                  |                |                  |                  |                |                  |
| - Actuarial gains/losses arising from changes in demographic assumptions | 22,212           | (1,443)        | 20,769           | -                | -              | -                |
| - Actuarial gains/losses arising from changes in financial assumptions   | 211,575          | 10,211         | 221,786          | (103,374)        | (4,224)        | (107,598)        |
| Experience loss/(gain) on defined benefit obligation                     | (77,848)         | (2,839)        | (80,687)         | 330              | 1              | 331              |
| Liabilities assumed/(extinguished) on settlements                        | 107,065          | -              | 107,065          | -                | (13,080)       | (13,080)         |
| Estimated benefits paid net of transfers in                              | (52,218)         | (3,567)        | (55,785)         | (46,033)         | (3,082)        | (49,115)         |
| Past service costs, including curtailments                               | 1,912            | 68             | 1,980            | 1,812            | -              | 1,812            |
| Unfunded pension payments  | (844)            | (2)            | (846)            | (868)            | (2)            | (870)            |
| <b>Closing balance at 31st March</b>                                     | <b>1,761,536</b> | <b>65,809</b>  | <b>1,827,345</b> | <b>1,456,381</b> | <b>60,942</b>  | <b>1,517,323</b> |

**Local Government Pension Scheme assets comprised:**

|                             | <u>Council</u>   | <u>LPFA</u>    | <u>Total</u>     | <u>Council</u>   | <u>LPFA</u>    | <u>Total</u>     |
|-----------------------------|------------------|----------------|------------------|------------------|----------------|------------------|
|                             | <u>2016/17</u>   | <u>2016/17</u> | <u>2016/17</u>   | <u>2015/16</u>   | <u>2015/16</u> | <u>2015/16</u>   |
|                             | £'000            | £'000          | £'000            | £'000            | £'000          | £'000            |
| Fair value of scheme assets |                  |                |                  |                  |                |                  |
| Cash and cash equivalents   | 15,690           | 5,430          | 21,120           | 22,859           | 6,460          | 29,319           |
| Bonds                       | 138,766          | -              | 138,766          | 124,461          | -              | 124,461          |
| Property                    | 42,847           | 2,992          | 45,839           | 1,075            | 1,823          | 2,898            |
| Equities                    | 990,710          | 34,777         | 1,025,487        | 855,453          | 23,736         | 879,189          |
| Other investment funds:     |                  |                |                  |                  |                |                  |
| Multi-asset fund            | 126,451          | -              | 126,451          | -                | -              | -                |
| Gilts                       | 68,480           | -              | 68,480           | 147,264          | -              | 147,264          |
| Derivatives                 | -                | -              | -                | -                | -              | -                |
| LDI/Cashflow matching       | -                | -              | -                | -                | 5,179          | 5,179            |
| Target Return Portfolio     | -                | 12,401         | 12,401           | -                | 10,868         | 10,868           |
| Infrastructure              | -                | 3,090          | 3,090            | -                | 2,799          | 2,799            |
| Commodities                 | -                | -              | -                | -                | 228            | 228              |
| <b>Total assets</b>         | <b>1,382,944</b> | <b>58,690</b>  | <b>1,441,634</b> | <b>1,151,112</b> | <b>51,093</b>  | <b>1,202,205</b> |

## Basis of Estimating Assets and Liabilities

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

The Council scheme and LPFA scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, based upon the latest triennial valuation, at 31st March 2016. The main assumptions used in the calculations are:

|   | <u>Council Fund</u> |                | <u>LPFA Fund</u> |                |
|---|---------------------|----------------|------------------|----------------|
|   | <u>2016/17</u>      | <u>2015/16</u> | <u>2016/17</u>   | <u>2015/16</u> |
| <b>Expected return on assets</b>  |                     |                |                  |                |
| For accounting periods from 1st 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. |                     |                |                  |                |
| Mortality assumptions:  |                     |                |                  |                |
| Longevity at 65 for current pensioners:   |                     |                |                  |                |
| - Men   | <b>24.4</b>         | 23.9           | <b>20.6</b>      | 21.5           |
| - Women   | <b>26.0</b>         | 25.4           | <b>24.2</b>      | 24.6           |
| Longevity at 65 for future pensioners:  |                     |                |                  |                |
| - Men   | <b>26.6</b>         | 26.1           | <b>23.0</b>      | 23.9           |
| - Women   | <b>28.3</b>         | 27.7           | <b>26.4</b>      | 27.0           |
| Rate of inflation (RPI)   | <b>3.6%</b>         | 3.2%           | <b>3.3%</b>      | 3.0%           |
| Rate of inflation (CPI)   | <b>2.7%</b>         | 2.3%           | <b>2.4%</b>      | 2.1%           |
| Rate of increase in salaries  | <b>4.2%</b>         | 4.1%           | <b>3.9%</b>      | 3.9%           |
| Rate of increase in pensions  | <b>2.7%</b>         | 2.3%           | <b>2.4%</b>      | 2.1%           |
| Rate for discounting scheme liabilities   | <b>2.7%</b>         | 3.6%           | <b>2.3%</b>      | 3.4%           |
| Take-up of option to convert annual pension into retirement lump sum  | <b>50%</b>          | 50%            | <b>50.0%</b>     | 50.0%          |

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Sensitivity Analysis**

## Impact on the Defined Benefit Obligation in the Scheme

|  | Council   |           |           | LPFA     |        |          |
|--|-----------|-----------|-----------|----------|--------|----------|
|  | £'000     | £'000     | £'000     | £'000    | £'000  | £'000    |
| Adjustment to discount rate                              | +0.1%     | 0.0%      | -0.1%     | +0.1%    | 0.0%   | -0.1%    |
| Present Value of Total Obligation                        | 1,726,706 | 1,761,536 | 1,797,129 | 64,961   | 65,809 | 66,668   |
| Projected Service Cost                                   | 53,523    | 54,876    | 56,265    | 443      | 4,581  | 459      |
| Adjustment to long term salary increase                  | +0.1%     | 0.0%      | -0.1%     | +0.1%    | 0.0%   | -0.1%    |
| Present Value of Total Obligation                        | 1,765,271 | 1,761,536 | 1,757,828 | 65,867   | 65,809 | 65,750   |
| Projected Service Cost                                   | 54,876    | 54,876    | 54,876    | 451      | 451    | 451      |
| Adjustment to pension increases and deferred revaluation | +0.1%     | 0.0%      | -0.1%     | +0.1%    | 0.0%   | -0.1%    |
| Present Value of Total Obligation                        | 1,793,371 | 1,761,536 | 1,730,370 | 66,608   | 65,809 | 65,019   |
| Projected Service Cost                                   | 56,263    | 54,876    | 53,522    | 459      | 451    | 443      |
| Adjustment to mortality age rating assumption            | + 1 Year  | None      | - 1 Year  | + 1 Year | None   | - 1 Year |
| Present Value of Total Obligation                        | 1,828,951 | 1,761,536 | 1,696,684 | 68,494   | 65,809 | 63,231   |
| Projected Service Cost                                   | 56,627    | 54,876    | 53,180    | 465      | 451    | 437      |

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

**Impact on the Council's cash flows**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £378.6 million (excluding LPFA share) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £2,146 million. However, statutory arrangements for funding the deficit mean that the financial position remains healthy. The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. The scheme's actuary confirmed following the triennial valuation at 31<sup>st</sup> March 2016 that the pension scheme is fully funded. Details are contained in Paper number 17-40 to the Pensions Committee in January 2017; this can be found on the Council's website (<https://democracy.wandsworth.gov.uk/ieDocHome.aspx>). Funding levels are reviewed on an annual basis. The next triennial valuation is due as at 31st March 2019.

The Council anticipates paying an estimated £21.0 million to the Council run scheme and £0.65 million to the LPFA scheme in 2017/18. These figures exclude the capitalised cost of any early retirements or augmentations which may occur in the year to 31 March 2018.

#### 41. Contingent Liabilities

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

#### 42. Contingent Assets

The Council has no contingent assets.

#### 43. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

##### Credit risk

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

##### Deposits

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

- (a) up to £50 million with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, AA- long-term, and a short-term watch that is not negative, (or equivalent under Moody's or Standard and Poor's), and where generally no more than £30 million is placed for periods longer than 6 months;

- (b) up to £100 million with other UK local authorities or precepting authorities
- (c) up to £20 million for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, AA- long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);
- (d) up to £20 million with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's);
- (e) up to £10 million for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);
- (f) up to £10 million with UK or non-UK institutions with a Fitch credit rating of at least F1 short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's);
- (g) up to £5 million for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);
- (h) up to £10 million with UK or non-UK institutions for a maximum of 3 months where 2 out of 3 credit rating agencies have a Fitch credit rating of at least F1 short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's); and
- (i) up to £50 million with Royal Bank of Scotland/Nat West PLC overnight only.

### **Money Market Funds**

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

- (a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Senior Management Team meeting within the Resources Department.
- (b) The maximum overall limit for the use of MMFs and short dated funds shall be 50% of total investments.
- (c) The maximum limit for each counterparty with AAA rating shall be £50 million.

- (d) Each MMF shall have a minimum AAA credit rating from one of the three main credit rating agencies and, if the fund has more than one rating, each rating shall be AAA.
- (e) The maximum investment placed in any Fund shall not exceed 7.5% of the total assets under management in the Fund.
- (f) Each Short Dated Income Fund shall have a minimum AA credit rating from one of the three main credit rating agencies. If the credit rating is only AA, the maximum investment in any Fund shall not exceed £5 million if this is lower than 7.5% of assets under management.

### **Property Funds**

Investments of up to £25 million may be placed in a property fund that is set up under a scheme approved by HM Treasury.

### **Covered Bonds**

Up to £50 million may be placed in a Covered Bond with a maturity period of not longer than three years and a credit rating of AAA from at least one of the three credit rating agencies.

### **Joint Venture Loans**

Loans of up to £50 million may be made through bond instruments issued by any Joint Venture arrangement or vehicle set up for the purpose of regenerating the Council's housing estates.

### **Loans to Staff Mutuals, other Service Providers and Voluntary Organisations**

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

### **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 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: -

|                               | <u>31st March 2017</u> | <u>31st March 2016</u> |
|-------------------------------|------------------------|------------------------|
|                               | £'000                  | £'000                  |
| Less than one year            | 17,202                 | 17,202                 |
| Between one and two years     | 17,202                 | 17,202                 |
| Between two and five years    | 51,605                 | 51,605                 |
| Between five and ten years    | 51,605                 | 68,807                 |
| Between ten and fifteen years | -                      | -                      |
|                               | <u>137,614</u>         | <u>154,816</u>         |

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

### Interest rate risk

The Council borrowed £223.623 million at a fixed rate of 1.69% from the PWLB on 28th March 2012 towards the cost of the HRA subsidy system buy out. Since then the Council has had no new borrowing requirement and is not currently expected to do so. Movements in interest rates are therefore not deemed to materially affect borrowings. The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. The treasury management team has an active strategy for assessing interest rate exposure that is used to update the budget during the year and take into account any adverse changes.

#### 44. Financial Instruments

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

|   | <u>Long-Term</u> |         | <u>Current</u> |         |
|---|------------------|---------|----------------|---------|
|   | <u>2016/17</u>   | 2015/16 | <u>2016/17</u> | 2015/16 |
|   | £'000            | £'000   | £'000          | £'000   |
| <b>Investments</b>                          |                  |         |                |         |
| Loans and receivables                       | <b>81,975</b>    | 28,663  | <b>400,278</b> | 407,729 |
| Available for sale                          | <b>24,700</b>    | 25,093  | <b>29,307</b>  | 75,897  |
| <b>Total investments</b>                    | <b>106,675</b>   | 53,756  | <b>429,585</b> | 483,626 |
| <b>Debtors</b>                              |                  |         |                |         |
| Loans and receivables                       | <b>9,702</b>     | 18,562  | -              | -       |
| Financial assets carried at contract amount | -                | -       | <b>46,998</b>  | 36,567  |
| <b>Total included in debtors</b>            | <b>9,702</b>     | 18,562  | <b>46,998</b>  | 36,567  |
| <b>Borrowings</b>                           |                  |         |                |         |
| Financial liabilities at amortized cost     | <b>120,412</b>   | 137,614 | <b>17,846</b>  | 17,999  |
| <b>Creditors</b>                            |                  |         |                |         |
| Financial liabilities at contract amount    | -                | -       | <b>62,238</b>  | 63,913  |

**Income, Expense, Gains and Losses**

|   | 2016/17              |                    |              | 2015/16              |                    |              |
|---|----------------------|--------------------|--------------|----------------------|--------------------|--------------|
|   | <u>Fin Assets</u>    | <u>Fin Assets</u>  | <u>Total</u> | <u>Fin Assets</u>    | <u>Fin Assets</u>  | <u>Total</u> |
|   | <u>- Loans &amp;</u> | <u>- Available</u> |              | <u>- Loans &amp;</u> | <u>- Available</u> |              |
|   | <u>Receivables</u>   | <u>for Sale</u>    |              | <u>Receivables</u>   | <u>for Sale</u>    |              |
|   | £'000                | £'000              | £'000        | £'000                | £'000              | £'000        |
| Interest income   | 5,229                | -                  | 5,229        | 4,876                | -                  | 4,876        |
| Gains on derecognition  | -                    | -                  | -            | -                    | 313                | 313          |
| <b>Total income in (deficit)/<br/>surplus on Provision of Services</b>  | <b>5,229</b>         | <b>-</b>           | <b>5,229</b> | <b>4,876</b>         | <b>313</b>         | <b>5,189</b> |
| Gains on revaluation  | -                    | 363                | 363          | -                    | 436                | 436          |
| Losses on revaluation   | -                    | (392)              | (392)        | -                    | (1)                | (1)          |
| Amounts recycled to surplus<br>and deficit on provision of<br>services after derecognition                                      | -                    | -                  | -            | -                    | (313)              | (313)        |
| <b>(Deficit)/surplus arising on<br/>revaluation of financial assets<br/>in other Comprehensive<br/>Income &amp; Expenditure</b> | <b>-</b>             | <b>(29)</b>        | <b>(29)</b>  | <b>-</b>             | <b>122</b>         | <b>122</b>   |
| <b>Net gain/loss for year</b>   | <b>5,229</b>         | <b>(29)</b>        | <b>5,200</b> | <b>4,876</b>         | <b>435</b>         | <b>5,311</b> |

Available for sale assets are measured at fair value.

All other financial instruments are measured at amortized cost.

The PWLB loan outstanding (£137.614 million) has a fair value of £146.340 million at 31st March 2017.

For all other assets and liabilities the fair value is not materially different to the amortized cost carrying amount.

## **COLLECTION FUND**

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The 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 and non-domestic rates.

From 1st April 2013, the treatment of business rates changed and the Council now shares the net amount collectable with the Government and the Greater London Authority. Previously, business rates were collected on behalf of the Government, who then redistributed them as part of the Local Government Finance Settlement.

**COLLECTION FUND INCOME AND EXPENDITURE STATEMENT**

|   | <u>2016/17</u>                   |                                     |                        | <u>2015/16</u>                   |                                     |                        |
|---|----------------------------------|-------------------------------------|------------------------|----------------------------------|-------------------------------------|------------------------|
|   | <b>Council<br/>Tax<br/>£'000</b> | <b>Business<br/>Rates<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>Council<br/>Tax<br/>£'000</b> | <b>Business<br/>Rates<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>Income</b>                               |                                  |                                     |                        |                                  |                                     |                        |
| <b>Council Taxpayers:</b>                   |                                  |                                     |                        |                                  |                                     |                        |
| Income from council taxpayers               | 88,103                           | -                                   | 88,103                 | 85,914                           | -                                   | 85,914                 |
| Adjustment for previous year's council tax  | 236                              | -                                   | 236                    | 168                              | -                                   | 168                    |
| <b>Business Ratepayers:</b>                 |                                  |                                     |                        |                                  |                                     |                        |
| Business rates                              | -                                | 100,625                             | 100,625                | -                                | 96,590                              | 96,590                 |
| Business Rate Supplement                    | -                                | 2,324                               | 2,324                  | -                                | 2,162                               | 2,162                  |
| <b>Estimated Deficit for previous year:</b> |                                  |                                     |                        |                                  |                                     |                        |
| Paid by Central Government                  | -                                | 4,550                               | 4,550                  | -                                | -                                   | -                      |
| Paid by Wandsworth Borough Council          | -                                | 2,730                               | 2,730                  | -                                | -                                   | -                      |
| Paid by Greater London Authority            | -                                | 1,820                               | 1,820                  | -                                | -                                   | -                      |
| <b>Total income</b>                         | <b>88,339</b>                    | <b>112,049</b>                      | <b>200,388</b>         | <b>86,082</b>                    | <b>98,752</b>                       | <b>184,834</b>         |
| <b>Expenditure</b>                          |                                  |                                     |                        |                                  |                                     |                        |
| <b>Council Tax Precepts and Demands:</b>    |                                  |                                     |                        |                                  |                                     |                        |
| Wandsworth Borough Council                  | 50,786                           | -                                   | 50,786                 | 46,846                           | -                                   | 46,846                 |
| Greater London Authority                    | 34,702                           | -                                   | 34,702                 | 35,579                           | -                                   | 35,579                 |
| <b>Business Rates:</b>                      |                                  |                                     |                        |                                  |                                     |                        |
| Payment to Central Government               | -                                | 52,337                              | 52,337                 | -                                | 51,731                              | 51,731                 |
| Payment to Greater London Authority         | -                                | 20,935                              | 20,935                 | -                                | 20,692                              | 20,692                 |
| Payment to Wandsworth Borough Council       | -                                | 31,402                              | 31,402                 | -                                | 31,038                              | 31,038                 |
| Cost of collection allowance                | -                                | 463                                 | 463                    | -                                | 469                                 | 469                    |
| <b>Business Rate Supplement:</b>            |                                  |                                     |                        |                                  |                                     |                        |
| Payment to Greater London Authority         | -                                | 2,315                               | 2,315                  | -                                | 2,151                               | 2,151                  |
| Cost of collection allowance                | -                                | 9                                   | 9                      | -                                | 11                                  | 11                     |
| <b>Bad and Doubtful Debts:</b>              |                                  |                                     |                        |                                  |                                     |                        |
| Write offs                                  | 650                              | 24                                  | 674                    | 771                              | 306                                 | 1,077                  |
| Provisions                                  | (834)                            | (731)                               | (1,565)                | (756)                            | 78                                  | (678)                  |
| <b>Appeals:</b>                             |                                  |                                     |                        |                                  |                                     |                        |
| Provision for appeals                       | -                                | (906)                               | (906)                  | -                                | 961                                 | 961                    |
| <b>Estimated Surplus for previous year:</b> |                                  |                                     |                        |                                  |                                     |                        |
| Paid to Central Government                  | -                                | -                                   | -                      | -                                | 14                                  | 14                     |
| Paid to Wandsworth Borough Council          | 2,394                            | -                                   | 2,394                  | 2,098                            | 9                                   | 2,107                  |
| Paid to Greater London Authority            | 1,819                            | -                                   | 1,819                  | 1,615                            | 5                                   | 1,620                  |
| <b>Total expenditure</b>                    | <b>89,517</b>                    | <b>105,848</b>                      | <b>195,365</b>         | <b>86,153</b>                    | <b>107,465</b>                      | <b>193,618</b>         |
| Surplus/(deficit) for the year              | (1,178)                          | 6,201                               | 5,023                  | (71)                             | (8,713)                             | (8,784)                |
| Surplus at start of year                    | 4,501                            | (13,325)                            | (8,824)                | 4,572                            | (4,612)                             | (40)                   |
| <b>(Deficit) at end of year</b>             | <b>3,323</b>                     | <b>(7,124)</b>                      | <b>(3,801)</b>         | <b>4,501</b>                     | <b>(13,325)</b>                     | <b>(8,824)</b>         |

**Deficit on Collection Fund**

The deficit on the Collection Fund is attributable to the Council and the Greater London Authority as follows:

|                            | <u>2016/17</u> |                 |                | <u>2015/16</u> |                 |                |
|----------------------------|----------------|-----------------|----------------|----------------|-----------------|----------------|
|                            | <b>Council</b> | <b>Business</b> | <b>Total</b>   | <b>Council</b> | <b>Business</b> | <b>Total</b>   |
|                            | <b>Tax</b>     | <b>Rates</b>    |                | <b>Tax</b>     | <b>Rates</b>    |                |
|                            | <b>£'000</b>   | <b>£'000</b>    | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>    | <b>£'000</b>   |
| Wandsworth Borough Council | 1,975          | (2,137)         | (162)          | 2,566          | (3,997)         | (1,431)        |
| Greater London Authority   | 1,348          | (1,425)         | (77)           | 1,935          | (2,665)         | (730)          |
| Central Government         | -              | (3,562)         | (3,562)        | -              | (6,663)         | (6,663)        |
| <b>Total</b>               | <b>3,323</b>   | <b>(7,124)</b>  | <b>(3,801)</b> | <b>4,501</b>   | <b>(13,325)</b> | <b>(8,824)</b> |

**NOTES TO THE COLLECTION FUND****1. Tax Levels**

|   | <u>2016/17</u> | <u>2015/16</u> |
|---|----------------|----------------|
|   | £              | £              |
| <b>Council tax amount for band D properties</b> |                |                |
| Wandsworth Council                              | 403.91         | 388.42         |
| Greater London Authority                        | 276.00         | 295.00         |
| <b>Total</b>                                    | <b>679.91</b>  | <b>683.42</b>  |
| <b>Business rate per £ value</b>                |                |                |
| Standard rating multiplier                      | 49.7p          | 49.3p          |
| Small business rating multiplier                | 48.8p          | 48.0p          |
| Business Rate Supplement (RV >£55,000)          | 2.0p           | 2.0p           |

## 2. Tax Bases

The 137,403 domestic properties provided a tax base equivalent to 125,764 band D properties:

| <u>Band</u>                         | <u>No. of properties<br/>after discounts<br/>and exemptions</u> | <u>Ratio</u> | <u>Equivalent no.<br/>of band D<br/>properties</u> |
|-------------------------------------|---|--------------|--|
| A                                   | 3,822   | 6/9          | 2,548  |
| B                                   | 8,132   | 7/9          | 6,325  |
| C                                   | 28,101  | 8/9          | 24,979   |
| D                                   | 27,468  | 9/9          | 27,468   |
| E                                   | 19,162  | 11/9         | 23,420   |
| F                                   | 13,659  | 13/9         | 19,730   |
| G                                   | 11,972  | 15/9         | 19,953   |
| H                                   | 2,526   | 18/9         | 5,051  |
| Total                               | <hr/> 114,842   |              | <hr/> 129,474                                      |
| Less adjustment for collection rate |   |              | (3,884)  |
| Plus armed forces accommodation     |   |              | 144  |
| <b>Council tax base for 2016/17</b> |   |              | <hr/> <hr/> <b>125,734</b>                         |

Rateable value of non-domestic properties at 31st March    £249,222,825

## **HOUSING REVENUE ACCOUNT**

The Housing Revenue Account 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 amount to be funded from rents and government grants. Authorities charge rents 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 Housing Revenue Account Statement.

**HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT**

|  | <u>Note</u> | <u>2016/17</u><br><u>£'000</u> | <u>2015/16</u><br><u>£'000</u> |
|--|-------------|--------------------------------|--------------------------------|
| <b>Expenditure</b>   |             |                                |                                |
| Repairs and maintenance  |             | <b>(23,309)</b>                | (26,621)                       |
| Supervision and management   |             | <b>(57,827)</b>                | (50,116)                       |
| Rents, rates, taxes and other charges  |             | <b>(196)</b>                   | (487)                          |
| - Thames Water Provision   |             | <b>(325)</b>                   | (5,900)                        |
| Rent Rebate Subsidy Limitation   |             | -                              | -                              |
| Depreciation and impairment of non-current assets  |             |                                |                                |
| - Operational assets - dwellings   |             | <b>(22,618)</b>                | (22,466)                       |
| - Operational assets - other land and buildings  |             | <b>(1,243)</b>                 | (926)                          |
| - Non operational assets   |             | -                              | -                              |
| - Impairment / Revaluation Loss  | 5           | <b>(7,503)</b>                 | (4,623)                        |
| - Reversal of previous years' impairment   | 5           | <b>6,922</b>                   | 29,522                         |
| Debt management costs  |             | -                              | -                              |
| Movement in the allowance for bad debts (not specified by the Code)  |             | <b>(451)</b>                   | (430)                          |
| Sums directed by the Secretary of State that are expenditure in accordance with the Code                                 |             | -                              | -                              |
| <b>Total Expenditure</b>   |             | <b>(106,550)</b>               | <b>(82,047)</b>                |
| <b>Income</b>  |             |                                |                                |
| Dwelling rents   |             | <b>112,268</b>                 | 113,266                        |
| Non-dwelling rents   |             | <b>4,253</b>                   | 3,654                          |
| Charges for services and facilities  |             | <b>24,542</b>                  | 25,512                         |
| Contributions towards expenditure  |             | -                              | -                              |
| Sums directed by the Secretary of State that are income in accordance with proper practices                              |             | -                              | -                              |
| <b>Total Income</b>  |             | <b>141,063</b>                 | <b>142,432</b>                 |
| <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                        |             | <b>34,513</b>                  | 60,385                         |
| HRA services' share of Corporate and Democratic Core   |             | -                              | (1,148)                        |
| HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services       |             | <b>(1,382)</b>                 | -                              |
| <b>Net Income from HRA Services</b>  |             | <b>33,131</b>                  | <b>59,237</b>                  |
| <b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b> |             |                                |                                |
| Gain on sale of HRA non-current assets   |             | <b>20,364</b>                  | 13,199                         |
| Interest payable and similar charges   |             | <b>(5,561)</b>                 | (6,131)                        |
| Interest and investment income   |             | <b>2,824</b>                   | 2,863                          |
| Pensions interest cost and expected return on pensions assets  |             | <b>(3,030)</b>                 | (1,297)                        |
| Capital grants and contributions receivable  |             | <b>22,344</b>                  | 4,849                          |
| Other income   |             | <b>2,109</b>                   | 1,587                          |
| <b>Surplus for the year on HRA services</b>  |             | <b>72,181</b>                  | <b>74,307</b>                  |

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

|   | <u>2016/17</u>  | <u>2015/16</u> |
|---|-----------------|----------------|
|   | £'000           | £'000          |
| Balance on the HRA at the end of the previous year  | <b>121,896</b>  | 114,053        |
| Surplus for the year on the HRA Income and Expenditure Statement  | <b>72,181</b>   | 74,307         |
| Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute | -               | -              |
| Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute  | <b>(24,324)</b> | (6,267)        |
| Gain on sale of HRA non-current assets  | <b>(20,364)</b> | (13,199)       |
| HRA share of contributions to or from the Pensions Reserve  | <b>6,206</b>    | 2,581          |
| Revenue funded by Capital under Statute   | <b>12,602</b>   | 6,693          |
| Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code   | -               | -              |
| <b>Adjustments between accounting basis and funding basis under statute</b>   | <b>(25,880)</b> | (10,192)       |
| <b>Net increase before transfers to or from reserves</b>  | <b>46,301</b>   | 64,115         |
| Transfer to the Capital Adjustment Account  | <b>(37,319)</b> | (56,272)       |
| Transfer from Insurance Reserve   | -               | -              |
| <b>Increase in year on the HRA</b>  | <b>8,982</b>    | 7,843          |
| <b>Balance on the HRA at the end of the current year</b>  | <b>130,878</b>  | 121,896        |

**NOTES TO THE HOUSING REVENUE ACCOUNT****1. Analysis of Council Housing Stock**

|                        | <u>31st March 2017</u> |               |               | <u>31st March 2016</u> |               |              |
|------------------------|------------------------|---------------|---------------|------------------------|---------------|--------------|
|                        | <u>Flats</u>           | <u>Houses</u> | <u>Total</u>  | <u>Flats</u>           | <u>Houses</u> | <u>Total</u> |
| Secure tenancies       | 14,207                 | 2,580         | 16,787        | 14,208                 | 2,571         | 16,779       |
| Equity share tenancies | 32                     | 48            | 80            | 32                     | 50            | 82           |
| Shared dwellings       | 235                    | -             | 235           | 235                    | -             | 235          |
| Long-lease sold        | 15,861                 | 46            | 15,907        | 15,881                 | 45            | 15,926       |
|                        | <b>30,335</b>          | <b>2,674</b>  | <b>33,009</b> | 30,356                 | 2,666         | 33,022       |

**2. Housing Major Repairs Reserve**

|  | <u>2016/17</u> | <u>2015/16</u> |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Balance at beginning of year           | 170,170        | 151,973        |
| Capital expenditure charged to Reserve | (3,037)        | (5,195)        |
| Depreciation                           |                |                |
| - on dwellings                         | 22,618         | 22,466         |
| - on other assets                      | 1,243          | 926            |
| <b>Balance at end of year</b>          | <b>190,994</b> | <b>170,170</b> |

**3. Housing Revenue Account Share of Contributions to the Pension Reserve**

The apportioned effects on the Housing Revenue Account are as follows:

|   | <u>2016/17</u> | <u>2015/16</u> |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Charge included within net cost of services | (3,176)        | (1,284)        |
| Pension interest cost and returns on assets | (3,030)        | (1,297)        |
| Transfer to/(from) Pension Reserve          | 6,206          | 2,581          |
| <b>Net cost to the HRA</b>                  | <b>-</b>       | <b>-</b>       |

**Transactions Relating to Retirement Benefits**

The cost of retirement benefits is recognised in the Net Cost of HRA Services when they are earned by employees, but the charge against the HRA is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA Balance.

#### 4. Financing of Capital Expenditure in the HRA

|                                   | <u>2016/17</u><br>£'000 | <u>2015/16</u><br>£'000 |
|-----------------------------------|-------------------------|-------------------------|
| Capital reimbursements and grants | 22,344                  | 4,849                   |
| Major Repairs Reserve             | 3,037                   | 5,195                   |
| Housing capital receipts applied  | 19,824                  | 14,441                  |
| Retained 1-4-1 receipts applied   | 8,546                   | 4,370                   |
| Borrowing                         | 19,940                  | 10,196                  |
| <b>Total</b>                      | <u><u>73,691</u></u>    | <u><u>39,051</u></u>    |

Total capital expenditure includes £12.602 million of expenditure properly classified as revenue expenditure but which is funded by capital under statute.

#### 5. Balance Sheet Value of HRA Operational Assets

|                           | <u>Balance Sheet Value</u><br><u>31st March 2017</u><br>£'000 | <u>Balance Sheet Value</u><br><u>31st March 2016</u><br>£'000 |
|---------------------------|---|---|
| <b>Operational Assets</b> |   |   |
| Dwellings                 | 1,366,617   | 1,333,552   |
| Other land and buildings  | 81,824  | 61,573  |
| <b>Total</b>              | <u><u>1,448,441</u></u>                                       | <u><u>1,395,125</u></u>                                       |

The vacant possession value of dwellings within the HRA at 31st March 2017 was £5,411 million. 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 losses

Revaluation losses of £12.8 million was identified in HRA dwellings between the valuation dates of March 2016 and March 2017 and £7.5 million was shown as a cost in the Income and Expenditure Statement. Revaluation losses of £6.9 million charged to the Income and Expenditure Statement in previous years were reversed by a revaluation gain and credited to the Income and Expenditure Statement. These numbers are incorporated into the table in Note 12 to the Balance Sheet.

## 6. Capital Receipts from Disposal of HRA Assets

|              | <u>2016/17</u> | <u>2015/16</u> |
|--------------|----------------|----------------|
|              | £'000          | £'000          |
| Land         | -              | -              |
| Dwellings    | 24,544         | 15,325         |
| Other        | 3,306          | 4,118          |
| <b>Total</b> | <u>27,850</u>  | <u>19,443</u>  |

**PENSION FUND ACCOUNT**

|   | <u>Note</u> | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|---|-------------|---------------------------------|---------------------------------|
| <b>Dealing with members, employers and others directly involved in the fund</b>         |             |                                 |                                 |
| Contributions   | 7           | 46,427                          | 34,020                          |
| Transfers in from other pension funds   | 8           | 1,745                           | 12,474                          |
| Transfer in of LBRuT Fund at Market Value   | 8           | 675,048                         | -                               |
|   |             | <hr/> 723,220                   | <hr/> 46,494                    |
| Benefits  | 9           | (60,241)                        | (46,072)                        |
| Payments to and on account of leavers   | 10          | (4,732)                         | (2,482)                         |
|   |             | <hr/> (64,973)                  | <hr/> (48,554)                  |
| Net additions from dealings with members  |             | 658,247                         | (2,060)                         |
| Management expenses   | 11          | (6,192)                         | (4,373)                         |
| Net additions including fund management expenses  |             | <hr/> 652,055                   | <hr/> (6,433)                   |
| <b>Returns on Investments</b>   |             |                                 |                                 |
| Investment Income   | 12          | 26,927                          | 22,222                          |
| Taxes on Income   | 13          | (116)                           | (191)                           |
| Profit and losses on disposal of investments and changes in market value of investments | 14a         | 315,342                         | (34,275)                        |
| Net Return on Investments   |             | <hr/> 342,153                   | <hr/> (12,244)                  |
| <b>Net increase/(decrease) in the net assets available for benefits during the year</b> |             | <hr/> <b>994,208</b>            | <hr/> <b>(18,677)</b>           |
| Net assets at the start of the year   |             | 1,188,472                       | 1,207,149                       |
| <b>Net assets at the end of the year</b>  |             | <hr/> <b>2,182,680</b> <hr/>    | <hr/> <b>1,188,472</b> <hr/>    |

**NET ASSETS STATEMENT**

|  | <u>Note</u> | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|--|-------------|---------------------------------|---------------------------------|
| Investment assets  | 14          | 2,161,667                       | 1,166,572                       |
| CIV Long term capital - Founders Shares  | 14          | 300                             | 150                             |
| Cash deposits  | 14          | 21,781                          | 19,280                          |
|  |             | <hr/> 2,183,748                 | <hr/> 1,186,002                 |
| Investment liabilities   | 14          | (924)                           | (1,640)                         |
| Current assets   | 19          | 4,183                           | 6,903                           |
| Current liabilities  | 20          | (4,327)                         | (2,793)                         |
| <b>Net assets of the fund available to fund<br/>benefits at the period end</b> |             | <hr/> <b>2,182,680</b> <hr/>    | <hr/> <b>1,188,472</b> <hr/>    |

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

## **NOTES TO THE PENSION FUND**

### **1. Description of Fund**

Wandsworth Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by Wandsworth Council. The Council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to the fund's Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972, Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

In the course of 2016/17, following the passing of SI 2016 No. 1241 ("The Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016"), all the assets and liabilities of the former London Borough of Richmond upon Thames (LBRuT) Pension Fund transferred to the fund. LBRuT ceased to be an administering authority of the LGPS, with all such responsibilities transferring to the London Borough of Wandsworth. The regulations effecting this change came into full legal force on 26th January 2017 but with retrospective effect, in a legal and accounting sense, from 1st October 2016 (the "merger date" cited in the legislation).

#### **a) General**

The fund 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 LGPS (Management and Investment of Funds) Regulations 2016.

It is a defined benefit occupational pension scheme to provide pensions and other benefits for pensionable employees of Wandsworth Council and other scheduled and admitted bodies within the Borough of Wandsworth. Teachers are not included as they come within the Teachers' national pension scheme. The fund is overseen by the Council's Pensions Committee.

#### **b) Membership**

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

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

- Designating bodies, which can nominate employees for access to the LGPS.

There are 78 employer organisations within the fund including the Council itself. 53 employer organisations, including the Council, have active members, the remaining employer organisations have deferred members and pensioners only.

| <b>Wandsworth Pension Fund</b>                     | <b><u>31st March 2017</u></b> | <b><u>31st March 2016</u></b> |
|--|-------------------------------|-------------------------------|
| Number of employers with active members            | <b>53</b>                     | 21                            |
| <b>Number of active members in fund</b>            |                               |                               |
| Council  | <b>6,749</b>                  | 5,073                         |
| Other employers                                    | <b>2,885</b>                  | 925                           |
| <b>Total</b>                                       | <b><u>9,634</u></b>           | <u>5,998</u>                  |
| <b>Number of pensioners (including dependants)</b> |                               |                               |
| Council  | <b>8,440</b>                  | 5,348                         |
| Other employers                                    | <b>990</b>                    | 83                            |
| <b>Total</b>                                       | <b><u>9,430</u></b>           | <u>5,431</u>                  |
| <b>Deferred pensioners</b>                         |                               |                               |
| Council  | <b>12,836</b>                 | 8,456                         |
| Other employers                                    | <b>3,018</b>                  | 443                           |
| <b>Total</b>                                       | <b><u>15,854</u></b>          | <u>8,899</u>                  |

### c) **Funding**

Benefits are funded by contributions and returns on investment. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2017. Employer contributions are set at each triennial actuarial valuation of the fund. The last valuation was at 31st March 2016 (prior to the merger of the Richmond and Wandsworth funds). Valuations for both Richmond and Wandsworth were carried out by the same actuary using common assumptions. At the end of the year the combined fund was assessed for accounting purposes as a single entity. Primary contribution rates payable by employers range from 14.7% - 26.6% of pensionable pay (although some employers are paying additional deficit contributions).

## d) **Benefits**

The LGPS was amended for service from 1st April 2014. From this date the LGPS provides a Career Average Revalued Earnings (CARE) pension (rather than a pension based on final salary) with a benefit build up rate of 1/49<sup>th</sup> (rather than 1/60<sup>th</sup>) for future membership. Protections apply to benefits built up before 1st April 2014. More details about the new scheme can be found here: [www.lgpsmember.org](http://www.lgpsmember.org) for members of the scheme and here: [www.lgpsregs.org](http://www.lgpsregs.org) for administrators of the scheme.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

|                 | <b><u>Service pre 1st April 2008</u></b>  | <b><u>Service post 31st March 2008 to 31st March 2014</u></b>  |
|-----------------|---|--|
| <b>Pension</b>  | Each year worked is worth 1/80 x final pensionable salary.  | Each year worked is worth 1/60 x final pensionable salary.   |
| <b>Lump Sum</b> | Automatic lump sum of 3 x pension.  | No automatic lump sum.   |
|                 | In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. Subject to the lifetime allowance limit imposed by the Inland Revenue. | Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. Subject to the lifetime allowance limit imposed by the Inland Revenue. |

There are a range of other benefits provided under the fund including early retirement, disability pensions and death benefits. For more details, please refer to the Wandsworth Pension Fund scheme handbook available from Wandsworth Council.

Benefits are index-linked in order to keep pace with inflation.

## 2. **Basis of Preparation**

The Statement of Accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31st March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take into account of obligations to pay benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

As noted above during 2016/17 all assets and liabilities of the LBRuT Pension Fund transferred to the London Borough of Wandsworth and transactions occurring after that date (on an accruals basis) are attributable to the fund. The relevant assets have been

treated in the accounts as having been transferred at the values applicable to the "merger date" 30 September. The Fund Account for 2016/17 therefore includes:-

- a transfer (shown separately) of the total market value of the LBRuT Fund as at 30 September 2016 (including any accruals as at that date);
- all revenue transactions related to the former LBRuT Fund attributable to the period after the merger date shown on consolidated basis.

The transfer value of the LBRuT Fund shown in the accounts is based on the audited accounts of the LBRuT Fund covering the period 1 April 2016 to 30 September 2016. This audit was carried out by Grant Thornton LLP and the accounts will appear in the Accounts of the London Borough of Richmond upon Thames (as an annexe).

### **3. Summary of Significant Accounting Policies**

#### **Fund account - revenue recognition**

##### **a) Contribution income**

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis in the payroll period to which they relate.

The Council's contribution rate is for the year ended 31st March 2017 was 19% of pensionable salary. This comprised a normal contribution rate of 16.0% in respect of future accrual and an additional rate of 3.0% required to repay the deficit. The contribution rate payable by other employers (including those transferred from the London Borough of Richmond upon Thames) contributing to the Fund ranges from 14.8%-35.0%. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or in the absence of an agreement on a receipts basis. Contributions are recognised when salaries are paid.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. 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**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see Note 21) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in (see Note 8).

**c) Investment income**

i. Interest income

Interest Income is recognised in the fund account as it accrues.

ii. Dividend income

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 within investment assets.

iii. Distribution from pooled funds

Pooled investment vehicles are accumulation funds and as such the change in market value also includes income, net of withholding tax, which is re-invested in the fund. All of the pooled funds are accumulation funds with the exception of the Henderson equity, bond and property funds and the CCLA / LAMIT, Schrodgers and Rreef property fund.

iv. Movement in the net market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sale of investments 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. Pensions and lump sum payments are considered to be due at the later of the date of retirement and the date that the option to receive benefits is exercised.

**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's expenses have been stated in the accounts according to the CIPFA Guidance "Accounting for local government pension scheme management expenses (2016)". This requires costs be expressed and a consolidated value in the Fund Account and to be analysed elsewhere over 3 categories:

- administration expenses
- oversight and governance expenses; and
- investment management expenses.

The fund's administration costs are comprised of a charge made to the fund for the services provided by the Pensions Shared Service and other Council-provided services such as pensions payroll.

### **g) Investment management expenses**

The CIPFA Guidance further requires that investment management expenses should be analysed over 4 sub-categories:

- transaction costs
- management fees (including ad valorem or fund value based fees)
- performance fees; and
- custody fees.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related. Performance targets are set on a three-year rolling basis in relation to the benchmark (except where noted).

- Longview Partners
- River and Mercantile
- Rogge Global Partners
- Henderson Global Investors [now Janus Henderson] (annual)

A fixed sum of the Council's costs representing management time spent by officers on investment management is charged to the fund.

### **Net assets statement**

#### **h) Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i. Market - quoted investments

The value of an investment for which there is a readily available market price is determined by the bid price ruling on the final day of the accounting period.

ii. Fixed interest securities

Fixed interest securities are recorded at bid price based on their current yields.

iii. Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment

vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

The transaction costs incurred by the fund in 2015/16 have not been re-stated in the Fund Account but are disclosed elsewhere in the statement.

**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, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

**j) Derivatives**

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

**k) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

**l) Financial liabilities**

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

**m) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 18).

#### **n) Additional voluntary contributions**

Wandsworth Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

The AVC arrangements formerly pertaining to the LBRuT Fund have transferred to Wandsworth Pension Fund under the merger. These arrangements, via Equitable Life and Clerical Medical operate on the same basis as described above and will continue to be provided within the combined fund.

AVCs are not included in the accounts but are disclosed separately in (Note 21).

#### **4. Critical Judgements in Applying Accounting Policies**

##### **Pension fund liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised (Note 18). This estimate is subject to significant variances based on changes to the underlying assumptions.

#### **5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The item for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

| <u>Item</u>  | <u>Uncertainties</u>   | <u>Effect if actual results differ from assumptions</u>   |
|--|--|---|
| <b>Actuarial present value of promised retirement benefits</b> | 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:<br>a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £51 million<br>a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £108 million. |

## 6. Events after the Year End

There have been no events since 31st March 2017, and up to the date when these accounts were certified that require any adjustments to these accounts.

## 7. Contributions

|                     | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|---------------------|---------------------------------|---------------------------------|
| <b>By category</b>  |                                 |                                 |
| Employers           |                                 |                                 |
| - Normal            | 28,154                          | 20,189                          |
| - Deficit           | 5,266                           | 3,786                           |
| - Augmentation      | 1,833                           | 1,405                           |
| Members             | 11,175                          | 8,640                           |
| <b>Total</b>        | <u>46,428</u>                   | <u>34,020</u>                   |
| <b>By authority</b> |                                 |                                 |
| Scheduled bodies    | 43,752                          | 33,083                          |
| Admitted bodies     | 1,565                           | 937                             |
| Designating bodies  | 1,111                           | -                               |
| <b>Total</b>        | <u>46,428</u>                   | <u>34,020</u>                   |

**8. Transfers in from other Pension Funds (including LBRuT Transfer)**

|                      | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|----------------------|---------------------------------|---------------------------------|
| LPFA Transfer In     | -                               | 10,646                          |
| Individual transfers | 1,745                           | 1,828                           |
| <b>Total</b>         | <u>1,745</u>                    | <u>12,474</u>                   |

## Analysis of transfer value from LB Richmond Upon Thames

|                              | <u>1st October 2016</u><br>£'000 |
|------------------------------|----------------------------------|
| Assets transferred in specie | 667,890                          |
| Cash                         | 6,216                            |
| Investment debtors           | 197                              |
| Current assets               | 1,135                            |
| Current liabilities          | (390)                            |
| <b>Total</b>                 | <u>675,048</u>                   |

**9. Benefits**

|  | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|--|---------------------------------|---------------------------------|
| <b>By category</b>                           |                                 |                                 |
| Pensions                                     | 48,612                          | 37,472                          |
| Commutation and lump sum retirement benefits | 10,557                          | 7,750                           |
| Lump sum death benefits                      | 1,072                           | 850                             |
| <b>Total</b>                                 | <u>60,241</u>                   | <u>46,072</u>                   |
| <b>By authority</b>                          |                                 |                                 |
| Scheduled bodies                             | 58,372                          | 45,727                          |
| Admitted bodies                              | 1,750                           | 345                             |
| Designating bodies                           | 119                             | -                               |
| <b>Total</b>                                 | <u>60,241</u>                   | <u>46,072</u>                   |

**10. Payments to and on Account of Leavers**

|                                   | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|-----------------------------------|---------------------------------|---------------------------------|
| Refund to members leaving service | 374                             | 117                             |
| Individual transfers              | 4,358                           | 2,365                           |
| <b>Total</b>                      | <u><u>4,732</u></u>             | <u><u>2,482</u></u>             |

**11. Management Expenses**

|                                | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|--------------------------------|---------------------------------|---------------------------------|
| Administrative costs           | 578                             | 593                             |
| Investment management expenses | 5,285                           | 3,615                           |
| Oversight and governance costs | 329                             | 165                             |
| <b>Total</b>                   | <u><u>6,192</u></u>             | <u><u>4,373</u></u>             |

**11a) Investment Management Expenses**

|                          | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|--------------------------|---------------------------------|---------------------------------|
| Transaction Costs        | 983                             | -                               |
| Management Fees          | 3,363                           | 2,815                           |
| Performance related fees | 892                             | 730                             |
| Custody fees             | 47                              | 70                              |
| <b>Total</b>             | <u><u>5,285</u></u>             | <u><u>3,615</u></u>             |

## 12. Investment Income

|  | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|--|---------------------------------|---------------------------------|
| Fixed interest securities                                | 6,141                           | 6,910                           |
| Equity dividends   | 11,194                          | 14,699                          |
| Pooled investments - unit trusts and other managed funds | 9,551                           | 528                             |
| Interest on cash deposits                                | 41                              | 85                              |
| <b>Total</b>   | <u><u>26,927</u></u>            | <u><u>22,222</u></u>            |

## 13. Taxes on Income

|                                      | <u>31st March 2017</u><br>£'000 | <u>31st March 2016</u><br>£'000 |
|--------------------------------------|---------------------------------|---------------------------------|
| Overseas Withholding tax on equities | 116                             | 191                             |
| <b>Total</b>                         | <u><u>116</u></u>               | <u><u>191</u></u>               |

**14. Investments**

|  | <u>31st March 2017</u>  | <u>31st March 2016</u>  |
|--|-------------------------|-------------------------|
|  | £'000                   | £'000                   |
| <b>Investment assets</b>               |                         |                         |
| CIV Founders Shares                    | 300                     | 150                     |
| Fixed interest securities              | 181,996                 | 157,738                 |
| Equity                                 | 441,509                 | 503,080                 |
| Pooled investments                     | 1,466,793               | 499,187                 |
| Pooled property investments            | 66,175                  | 1,106                   |
| Derivative contracts                   |                         |                         |
| - Futures                              | 192                     | 249                     |
| - Forward currency contracts           | 120                     | 379                     |
| Cash deposits                          | 21,779                  | 19,280                  |
| Cash collateral                        | 174                     | 305                     |
| Investment income due                  | 4,114                   | 4,252                   |
| Amounts receivable for sales           | 592                     | 276                     |
| Amounts receivable for pending spot FX | 3                       | -                       |
| <b>Total investment assets</b>         | <u>2,183,747</u>        | <u>1,186,002</u>        |
| <b>Investment liabilities</b>          |                         |                         |
| Derivative contracts                   |                         |                         |
| - Futures                              | (170)                   | (134)                   |
| - Forward currency contracts           | (241)                   | (909)                   |
| Amounts payable for purchases          | (513)                   | (410)                   |
| Obligation to return cash collateral   | -                       | (187)                   |
| <b>Total investment liabilities</b>    | <u>(924)</u>            | <u>(1,640)</u>          |
| <b>Net investment assets</b>           | <u><u>2,182,823</u></u> | <u><u>1,184,362</u></u> |

**a) Reconciliation of movements in investments and derivatives (excluding CIV founders shares)**

|  | <u>Market value as at 31st March 2016</u><br>£'000 | <u>Transfer of assets from LBRuT</u><br>£'000 | <u>Purchases during the year and derivative payments</u><br>£'000 | <u>Sales during the year and derivative receipts</u><br>£'000 | <u>Change in Market value during the year</u><br>£'000 | <u>Market value as at 31st March 2017</u><br>£'000 |
|--|--|---|---|---|--|--|
| Fixed interest securities                    | 157,738  | -   | 83,766  | (75,411)  | 15,903   | 181,996  |
| Equities                                     | 503,080  | -   | 168,928   | (324,710)   | 94,211   | 441,509  |
| Pooled investments                           | 499,187  | 605,027                                       | 171,755   | (10,703)  | 201,527  | 1,466,793  |
| Pooled property investments                  | 1,106  | 62,712  | 480   | (298)   | 2,175  | 66,175   |
|  | <u>1,161,111</u>                                   | <u>667,739</u>                                | <u>424,929</u>  | <u>(411,122)</u>  | <u>313,816</u>   | <u>2,156,473</u>                                   |
| Derivative contracts:                        |  |   |   |   |  |  |
| Futures                                      | 115  | -   | (389)   | (868)   | 1,163  | 21   |
| Forward currency contracts                   | (531)  | -   | 7,791   | (6,742)   | (639)  | (121)  |
|  | <u>1,160,695</u>                                   | <u>667,739</u>                                | <u>432,331</u>  | <u>(418,732)</u>  | <u>314,340</u>   | <u>2,156,373</u>                                   |
| Other investment balances:                   |  |   |   |   |  |  |
| Cash deposits                                | 19,280   |   |   |   | 72   | 21,781   |
| Amount receivable for sales of investments   | 276  |   |   |   |  | 592  |
| Investment income due                        | 4,252  |   |   |   |  | 4,114  |
| Spot FX contracts                            | -  |   |   |   |  | 3  |
| Amounts payable for purchases of investments | (410)  |   |   |   |  | (513)  |
| Cash Collateral                              | 305  |   |   |   |  | 174  |
| Obligation to Return Cash Collateral         | (187)  |   |   |   |  | -  |
|  | <u>1,184,211</u>                                   |   |   |   | <u>314,412</u>   | <u>2,182,524</u>                                   |
|  |  |   |   |   |  |  |
|  |  |   |   |   | Transaction cost adjusted against management expenses  | 930  |
|  |  |   |   |   |  |  |
|  |  |   |   |   | Change in market value as per Fund Account             | 315,342  |

|   | <u>Market value as<br/>at 31st March<br/>2015<br/>£'000</u> | <u>Purchases<br/>during the<br/>year and<br/>derivative<br/>payments<br/>£'000</u> | <u>Sales during<br/>the year and<br/>derivative<br/>receipts<br/>£'000</u> | <u>Change in<br/>Market value<br/>during the year<br/>£'000</u> | <u>Market value as<br/>at 31st March<br/>2016<br/>£'000</u> |
|---|---|--|--|---|---|
| Fixed interest securities                       | 227,929   | 94,444   | (156,470)  | (8,164)   | 157,739   |
| Equities  | 670,317   | 234,703  | (386,892)  | (15,048)  | 503,080   |
| Pooled investments                              | 278,136   | 294,331  | (63,240)   | (10,040)  | 499,187   |
| Pooled property investments                     | 1,019   |  |  | 87  | 1,106   |
|   | <u>1,177,401</u>  | <u>623,478</u>   | <u>(606,602)</u>   | <u>(33,165)</u>   | <u>1,161,112</u>  |
| Derivative contracts:                           |   |  |  |   |   |
| Futures   | 147   | 1,016  | (626)  | (423)   | 114   |
| Forward currency contracts                      | 404   | 6,048  | (6,106)  | (877)   | (531)   |
|   | <u>1,177,952</u>  | <u>630,542</u>   | <u>(613,334)</u>   | <u>(34,465)</u>   | <u>1,160,695</u>  |
| Other investment balances:                      |   |  |  |   |   |
| Cash deposits                                   | 23,041  |  |  | 190   | 19,280  |
| Amount receivable for sales<br>of investments   | 3,871   |  |  |   | 276   |
| Investment income due                           | 4,919   |  |  |   | 4,253   |
| Amounts payable for<br>purchases of investments | (2,922)   |  |  |   | (410)   |
| Cash Collateral                                 | 527   |  |  |   | 305   |
| Obligation to Return Cash<br>Collateral         | (627)   |  |  |   | (187)   |
|   | <u>1,206,761</u>  |  |  | <u>(34,275)</u>   | <u>1,184,212</u>  |

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £1.0 million (£1.1 million in 2015/16). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

**b) Analysis of investments (excluding cash derivative contracts and CIV founders shares)**

|   | <u>31st March 2017</u> | <u>31st March 2016</u> |
|---|------------------------|------------------------|
|   | £'000                  | £'000                  |
| <b>Fixed interest securities</b>          |                        |                        |
| <b>UK</b>                                 |                        |                        |
| Public sector quoted                      | 6,273                  | 11,037                 |
| Corporate quoted                          | 72,003                 | 66,428                 |
| Public sector Index linked                | 36,575                 | 32,262                 |
| <b>Overseas</b>                           |                        |                        |
| Public sector quoted                      | 6,558                  | 1,206                  |
| Corporate quoted                          | 60,587                 | 46,806                 |
|   | <hr/> 181,996          | <hr/> 157,739          |
| <b>Equities</b>                           |                        |                        |
| <b>UK</b>                                 |                        |                        |
| Quoted                                    | 199,163                | 167,387                |
| <b>Overseas</b>                           |                        |                        |
| Quoted                                    | 242,346                | 335,693                |
|   | <hr/> 441,509          | <hr/> 503,080          |
| <b>Pooled funds - additional analysis</b> |                        |                        |
| <b>UK</b>                                 |                        |                        |
| Fixed income unit trust                   | 239,404                | 111,589                |
| Equity unit trust                         | 432,078                | 209,692                |
| Diversified Growth Unit Trust             | 89,774                 |                        |
| <b>Overseas</b>                           |                        |                        |
| Fixed income unit trust                   | 10,838                 | 10,212                 |
| Equity unit trust                         | 694,698                | 167,694                |
|   | <hr/> 1,466,792        | <hr/> 499,187          |
| Pooled property investments               | 66,175                 | 1,106                  |
|   | <hr/> 66,175           | <hr/> 1,106            |
|   | <hr/> <b>2,156,472</b> | <hr/> <b>1,161,112</b> |

## **Analysis of derivatives**

### **Objectives and policies for holding derivatives**

Derivative instruments are used in the bond portfolio managed by Rogge in order to help achieve the objectives of the Portfolio more efficiently than would otherwise be the case through direct dealing in underlying securities. Such objectives include: the reduction of cost or the generation of additional capital gains or income with an acceptable level of risk. The underlying asset of any derivative must be an investment that is permitted to be held in the portfolio.

In practice, it sometimes may be prohibitive on a cost-benefit basis to purchase or sell physical bonds. In these instances, gaining a desired market exposure through a derivative instrument, such as a bond future, may provide a more efficient means of accessing risk for the portfolio. Frequently the use of futures is for risk-reductive purposes, i.e. hedging away unwanted interest rate exposure which can be present from our security selection process when choosing which issuers to invest in. In some instances, futures will also be used in the portfolio to gain active interest rate exposures in certain countries, where it makes sense to gain exposure through the futures market as opposed to dealing directly in physical securities.

In all instances, derivatives are not used to leverage the portfolio (i.e. lending against securities to raise additional capital), or to materially incur portfolio risk in a way which would exceed the stated duration limits of the portfolio, or with the intention of increasing active risk (tracking error) above stated limits.

Derivative positions are managed as an integral part of the portfolio strategy. The portfolio, inclusive of derivative positions, is bound by the performance objectives and constraints set out in the guidelines. All obligations resulting from purchases or sales of futures would be covered at all times by holdings within the portfolio.

Rogge is the only manager permitted to use derivatives. Rogge use two types of derivative; Forward Foreign Exchange contracts and Futures. Their use enables Rogge to manage positions efficiently where cash market liquidity is poor and to reduce trading costs. The use of derivatives for speculation or to gear the fund is prohibited. The contract with Rogge restricts their use as follows:

“The net value of the derivatives in place should not exceed 5% of the portfolio’s market value”.

#### **a. Futures**

Futures are used by the manager to manage interest rate risk exposure as described above.

#### **b. Forward foreign currency**

The Pension Fund holds foreign exchange forward currency contracts to hedge the fund's exposure to investments denominated in overseas currencies. The purpose of this is to manage risk of exposure to foreign currencies, the interaction with investments held and fluctuations in exchange rates depending on conditions and expectations in these markets.

**Futures**

**Outstanding exchange traded futures contracts are as follows:**

| <u>Type</u>                   | <u>Expires</u>     | <u>Economic exposure</u> | <u>Market value 31st March 2017</u> | <u>Economic exposure</u> | <u>Market value 31st March 2016</u> |
|-------------------------------|--------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
|                               |                    | <u>£'000</u>             | <u>£'000</u>                        | <u>£'000</u>             | <u>£'000</u>                        |
| <b>Assets</b>                 |                    |                          |                                     |                          |                                     |
| UK Fixed Income Futures       | Less than one year | 8,675                    | 140                                 | 12,001                   | 25                                  |
| Overseas Fixed Income Futures | Less than one year | 24,225                   | 51                                  | 16,432                   | 224                                 |
| <b>Total assets</b>           |                    |                          | <u>191</u>                          |                          | <u>249</u>                          |
| <b>Liabilities</b>            |                    |                          |                                     |                          |                                     |
| UK Fixed Income Futures       | Less than one year | -                        | -                                   | -                        | -                                   |
| Overseas Fixed Income Futures | Less than one year | (9,852)                  | (170)                               | (21,861)                 | (134)                               |
| <b>Total liabilities</b>      |                    |                          | <u>(170)</u>                        |                          | <u>(134)</u>                        |
| <b>Net futures</b>            |                    |                          | <u>21</u>                           |                          | <u>115</u>                          |

**Open forward currency contracts**

| <u>Settlements</u>  | <u>Currency bought</u> | <u>Local value of currency bought</u><br><u>'000</u> | <u>Currency sold</u> | <u>Local value of currency sold</u><br><u>'000</u> | <u>Asset value</u><br><u>£'000</u> | <u>Liability value</u><br><u>£'000</u> |
|---|------------------------|--|----------------------|--|------------------------------------|--|
| 1-2 months  | EUR                    | 8,655  | USD                  | (9,259)  | 15                                 | (12)                                   |
| 1-2 months  | GBP                    | 1,360  | EUR                  | (1,570)  | 17                                 | -                                      |
| 1-2 months  | GBP                    | 19,857   | USD                  | (24,829)   | 8                                  | (1)                                    |
| 1-2 months  | JPY                    | 814,937  | EUR                  | (6,748)  | 77                                 | -                                      |
| 1-2 months  | JPY                    | 20,057   | GBP                  | (144)  | -                                  | -                                      |
| 1-2 months  | USD                    | 38   | AUD                  | (50)   | -                                  | -                                      |
| 1-2 months  | USD                    | 2,549  | GBP                  | (2,055)  | 2                                  | (20)                                   |
| 1-2 months  | USD                    | 7,426  | JPY                  | (831,993)  | -                                  | (36)                                   |
| 3-6 months  | GBP                    | 555  | MXN                  | (13,462)   | -                                  | (7)                                    |
| 3-6 months  | MXN                    | 2,241  | USD                  | (115)  | 2                                  | -                                      |
| 3-6 months  | USD                    | 3,429  | MXN                  | (69,539)   | -                                  | (166)                                  |
| <b>Open forward currency contracts at 31st March 2017</b> |                        |  |                      |  | <b>120</b>                         | <b>(241)</b>                           |
| <b>Net forward currency contracts at 31st March 2017</b>  |                        |  |                      |  |                                    | <b>(121)</b>                           |
| Prior year comparative:                                   |                        |  |                      |  |                                    |  |
| Open forward currency contracts at 31st March 2016        |                        |  |                      |  | 379                                | (909)                                  |
| Net forward currency contracts at 31st March 2016         |                        |  |                      |  |                                    | (530)                                  |

**Investments analysed by Fund Manager**

|   | <u>Market</u><br><u>value as at</u><br><u>31st March</u><br><u>2017</u><br>£'000 | %    | <u>Market</u><br><u>value as at</u><br><u>31st March</u><br><u>2016</u><br>£'000 | %    |
|---|--|------|--|------|
| Aberdeen (Property Pooled Vehicle)          | 827  | 0.0  | 1,106  | 0.1  |
| Baillie Gifford (Equity)                    | 211,969  | 9.7  | 158,525  | 13.4 |
| CCLA / LAMIT (Pooled Property)              | 4,265  | 0.2  | -  | 0.0  |
| CQS Multi-Asset Credit (Pooled Fund)        | 54,565   | 2.5  | 47,650   | 4.0  |
| Henderson (Multi-Asset & Pooled Property)   | 263,608  | 12.1 | -  | 0.0  |
| L&G (Passive Multi-Asset & Pooled Property) | 332,963  | 15.3 | -  | 0.0  |
| London LGPS CIV (Allianz Global Equity)     | 215,473  | 9.9  | 168,389  | 14.2 |
| London LGPS CIV (Baillie Gifford DGF)       | 89,774   | 4.1  | -  | 0.0  |
| Longview (Global Equity)                    | 280,239  | 12.8 | 219,146  | 18.5 |
| Northern Trust (Custodian)                  | 352  | 0.0  | 92   | 0.0  |
| Oakhill (Multi-Asset Credit)                | 50,852   | 2.3  | 50,308   | 4.2  |
| River & Mercantile (UK Equity)              | 178,874  | 8.2  | 142,502  | 12.0 |
| Rogge (Enhanced Bonds)                      | 196,389  | 9.0  | 173,159  | 14.6 |
| Schroders (Pooled Property)                 | 29,861   | 1.4  | 11   | 0.0  |
| UBSGAM (Passive Multi-Asset)                | 272,513  | 12.5 | 223,324  | 18.9 |
|   | <u>2,182,524</u>   |      | <u>1,184,212</u>   |      |

Excludes CIV Founders Shares

**The following investments represent more than 5% of the net assets of the fund**

|   | <u>Market</u><br><u>value as at</u><br><u>31st March</u><br><u>2017</u><br>£'000 | %    | <u>Market</u><br><u>value as at</u><br><u>31st March</u><br><u>2016</u><br>£'000 | %    |
|---|--|------|--|------|
| UBSGAM Life UK Equity Tracker           | 256,523  | 11.8 | 209,692  | 17.7 |
| London LGPS CIV (Allianz Global Equity) | 214,749  | 9.8  | 167,694  | 14.2 |
| London LGPS CIV (Growth)                | 211,367  | 9.7  | -  |      |
| L&G UK Equity Index Fund                | 109,910  | 5.0  | -  |      |
|   | <u>792,549</u>   |      | <u>377,386</u>   |      |

**The Fund held 29 Pooled Funds, they are shown in the table below**

| <b><u>Asset Description</u></b>  | <b><u>Market<br/>value as at<br/>31st March<br/>2017<br/>£'000</u></b> |
|--|--|
| UBSAM UK Equity Tracker Fund   | 256,523  |
| LCIV Global Equity Alpha [Allianz Global Equity]                         | 214,749  |
| LCIV BG Global Alpha Growth [Baillie Gifford Global Equity]              | 211,367  |
| L&G UK Equity Index Fund   | 109,910  |
| LCIV Diversified Growth [Baillie Gifford DGF]                            | 89,774   |
| Henderson Institutional UK Index Opportunities Trust                     | 65,644   |
| L&G North America Equity Index Fund                                      | 58,234   |
| Henderson Institutional Exempt North American Index Opportunities Fund   | 56,389   |
| CQS Multi Asset Credit Fund  | 54,565   |
| Oakhill Multi Asset Credit Fund  | 50,852   |
| L&G World Emerging Mkts Equity Index Fund                                | 38,864   |
| Henderson All Stocks Credit Fund   | 38,504   |
| Henderson Institutional European Index Opportunities Fund                | 38,213   |
| L&G Investment Grade Corporate Bond Index Fund                           | 34,380   |
| L&G Europe (ex UK) Equity Index Fund                                     | 33,159   |
| Schroder UK Real Estate Fund   | 29,766   |
| Henderson Institutional UK Gilt Fund                                     | 22,800   |
| L&G All Stocks Gilts Index Fund  | 22,314   |
| Henderson UK Property Fund   | 16,419   |
| UBSAM Over 5 Year Index Linked Gilt Tracker Fund                         | 15,990   |
| L&G Managed Property Fund  | 14,946   |
| Henderson Institutional Japan Index Opportunities Fund                   | 13,530   |
| L&G Asia Pacific (ex Japan) Developed Equity Index Fund                  | 10,742   |
| L&G Japan Equity Index Fund  | 10,414   |
| Henderson Institutional Asia Pacific (ex Japan) Index Opportunities Fund | 9,039  |
| Rogge Funds plc Global Select High Yield Bond Zero Management            | 7,403  |
| Local Authorities' Property Fund (LAMIT / CCLA)                          | 4,217  |
| Rogge Funds plc Heitman Short Duration Global Bond Fund                  | 3,435  |
| Rreef Up Property Fund No 3  | 827  |
| <b>Total</b>   | <b><u><u>1,532,969</u></u></b>   |

**The top 10 equity holdings are shown in the table below**

| <b><u>Asset Description</u></b>        | <b><u>Market<br/>value as at<br/>31st March<br/>2017<br/>£'000</u></b> |
|--|--|
| Parker Hannifin Corporation            | 10,714   |
| Aon                                    | 10,431   |
| HCA Healthcare                         | 10,360   |
| Royal Dutch Shell 'B' Ordinary Shares  | 10,118   |
| Delphi Automotive                      | 10,089   |
| Sap                                    | 10,073   |
| Emerson Electric Company               | 9,820  |
| Fidelity National Information Services | 9,766  |
| Zimmer Biomet Holdings                 | 9,731  |
| Progressive Corporation                | 9,693  |
| <b>Total</b>                           | <b><u><u>100,795</u></u></b>   |

**Stock Lending**

Stock lending is prohibited by the fund's Statement of Investment Principles.

## 15. Financial Instruments

### a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

|                               | <u>Designated</u><br><u>as fair</u><br><u>value</u><br><u>through</u><br><u>profit and</u><br><u>loss</u><br><u>2016/17</u><br><u>£'000</u> | <u>Loans and</u><br><u>receivables</u><br><u>2016/17</u><br><u>£'000</u> | <u>Financial</u><br><u>liabilities</u><br><u>at</u><br><u>amortised</u><br><u>cost</u><br><u>2016/17</u><br><u>£'000</u> | <u>Designated</u><br><u>as fair</u><br><u>value</u><br><u>through</u><br><u>profit and</u><br><u>loss</u><br><u>2015/16</u><br><u>£'000</u> | <u>Loans and</u><br><u>receivables</u><br><u>2015/16</u><br><u>£'000</u> | <u>Financial</u><br><u>liabilities at</u><br><u>amortised</u><br><u>cost</u><br><u>2015/16</u><br><u>£'000</u> |
|-------------------------------|---|--|--|---|--|--|
| <b>Financial assets</b>       |   |  |  |   |  |  |
| Fixed interest securities     | 181,996   |  |  | 157,738   |  |  |
| Equities                      | 441,809   |  |  | 502,385   |  |  |
| Pooled investments            | 1,466,793   |  |  | 499,882   |  |  |
| Pooled property investments   | 66,175  |  |  | 1,106   |  |  |
| Private/equity infrastructure | -   |  |  | -   |  |  |
| Property                      | -   |  |  | -   |  |  |
| Derivative contracts          | 312   |  |  | 627   |  |  |
| Cash                          |   | 21,779   |  |   | 19,280   |  |
| Other investment balances     | 4,675   | 204  |  | 4,833   |  |  |
| Current assets                |   | 4,184  |  |   | 6,888  |  |
| Pending currency transactions | -   |  |  | 35,576  |  |  |
|                               | <b>2,161,760</b>  | <b>26,167</b>  |  | <b>1,202,147</b>  | <b>26,168</b>  |  |
| <b>Financial liabilities</b>  |   |  |  |   |  |  |
| Derivative contracts          | (411)   |  |  | (513)   |  |  |
| Other investment balances     | 3   |  |  | -   |  |  |
| Creditors                     |   |  | (513)  |   |  | (597)  |
| Current liabilities           | -   | (57)   |  | -   |  | (1,040)  |
| Pending currency transactions | -   |  | (4,270)  | (36,107)  |  |  |
|                               | <b>(408)</b>  | <b>(57)</b>  | <b>(4,783)</b>   | <b>(36,620)</b>   |  | <b>(1,637)</b>   |
|                               | <b>2,161,352</b>  | <b>26,110</b>  | <b>(4,783)</b>   | <b>1,165,527</b>  | <b>26,168</b>  | <b>(1,637)</b>   |

**b) Net gains and losses on financial instruments**

|                                    | <u>31st March 2017</u> | <u>31st March 2016</u> |
|------------------------------------|------------------------|------------------------|
|                                    | £'000                  | £'000                  |
| <b>Financial assets</b>            |                        |                        |
| Fair value through profit and loss | 314,747                | (33,165)               |
| Loans and receivables              | 72                     | 189                    |
| <b>Financial liabilities</b>       |                        |                        |
| Fair value through profit and loss | 524                    | (1,300)                |
| <b>Total</b>                       | <u><u>315,343</u></u>  | <u><u>(34,276)</u></u> |

**c) Valuation of financial instruments carried at fair value**

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

**Level 1**

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2**

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3**

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

This would also include pooled property investments. Pooled property investment managers will sign off the valuation to confirm it is within expectation. The external valuer's opinion prevail and the valuation is produced on the basis of market value in accordance with the latest edition of the RICS appraisal and valuation standards. Signed valuations are then passed to the real estate pricing team for inclusion in the relevant fund NAV.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

|   | <u>Quoted<br/>market<br/>price</u><br>Level 1<br>£'000 | <u>Using<br/>observable<br/>inputs</u><br>Level 2<br>£'000 | <u>With<br/>significant<br/>unobservable<br/>inputs</u><br>Level 3<br>£'000 | <u>Total</u><br>£'000 |
|---|--|--|---|-----------------------|
| <b>Values at 31st March 2017</b>        |  |  |   |                       |
| <b>Financial assets</b>                 |  |  |   |                       |
| Fair value through profit and loss      | 440,523  | 1,761,123  | 2,178   | 2,203,824             |
| Loans and receivables                   | 27,225   | 3,443  | -   | 30,668                |
| <b>Total financial assets</b>           | <b>467,748</b>   | <b>1,764,566</b>   | <b>2,178</b>  | <b>2,234,492</b>      |
| <b>Financial liabilities</b>            |  |  |   |                       |
| Fair value through profit and loss      | (170)  | (47,315)   | -   | (47,485)              |
| Financial liabilities at amortised cost | (4,327)  | -  | -   | (4,327)               |
| <b>Total financial liabilities</b>      | <b>(4,497)</b>   | <b>(47,315)</b>  | <b>-</b>  | <b>(51,812)</b>       |
| <b>Net financial assets</b>             | <b>463,251</b>   | <b>1,717,251</b>   | <b>2,178</b>  | <b>2,182,680</b>      |

|   | <u>Quoted<br/>market<br/>price</u><br>Level 1<br>£'000 | <u>Using<br/>observable<br/>inputs</u><br>Level 2<br>£'000 | <u>With significant<br/>unobservable<br/>inputs</u><br>Level 3<br>£'000 | <u>Total</u><br>£'000 |
|---|--|--|---|-----------------------|
| <b>Values at 31st March 2016</b>        |  |  |   |                       |
| <b>Financial assets</b>                 |  |  |   |                       |
| Fair value through profit and loss      | 505,365  | 695,676  | 1,106   | 1,202,147             |
| Loans and receivables                   | 26,168   | -  | -   | 26,168                |
| <b>Total financial assets</b>           | <b>531,533</b>   | <b>695,676</b>   | <b>1,106</b>  | <b>1,228,315</b>      |
| <b>Financial liabilities</b>            |  |  |   |                       |
| Fair value through profit and loss      | (513)  | (36,107)   | -   | (36,620)              |
| Financial liabilities at amortised cost | -  | (1,637)  | -   | (1,637)               |
| <b>Total financial liabilities</b>      | <b>(513)</b>   | <b>(37,744)</b>  | <b>-</b>  | <b>(38,257)</b>       |
| <b>Net financial assets</b>             | <b>531,020</b>   | <b>657,932</b>   | <b>1,106</b>  | <b>1,190,058</b>      |

The "Fair value through profit and loss" figures re-stated for 31st March 2016 have been adjusted to re-allocate £167,694k from Level 1 to Level 2. This adjustment represents the value of the fund's holding in the London LGPS CIV Allianz Global Equity fund and is designed to ensure consistency of treatment with the 31st March 2017 disclosure.

## 16. Nature and Extent of Risks Arising from Financial Instruments

### Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, over the long-term, 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. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations.

#### 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, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio across a range of asset classes and management styles. The mid-year fund merger enhanced the level of asset class and manager diversification by reducing the combined fund's overall equity exposure to around 70% (from 75%) and introducing new asset classes such as commercial property and diversified alternatives. The fund retains an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Finance Directorate. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages risk by applying risk-weighted maximum exposures to individual investments and asset classes.

#### Other price risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with fund managers at each quarter.

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

In addition, a significant component of the assets transferred from the LBRuT fund are managed on a passive or enhanced index basis, thereby reducing "active risk" across the fund as a whole

### **Other price risk — sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors (Mercer), the Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

|                                | <b><u>Potential<br/>market<br/>movements</u><br/>(+)/(-)</b> |
|--------------------------------|--|
| UK equities                    | 15.7%  |
| Overseas equities              | 17.8%  |
| UK Fixed Interest Gilts        | 8.2%   |
| UK Index-Linked Gilts          | 9.3%   |
| UK Non Government Bonds        | 8.5%   |
| UK Non Government Index-Linked | 9.3%   |
| Overseas Bonds                 | 11.7%  |
| Multi-Asset Credit             | 7.8%   |
| Diversified Growth Fund        | 10.5%  |
| Pooled property investments    | 14.1%  |

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This means that degree of price variance indicated is the maximum that would be anticipated in two out of every three years. The analysis includes variances in the sterling values of overseas assets based in currency movements.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

| <u>Asset Type</u>              | <u>Value as at 31st</u><br><u>March 2017</u><br>£'000 | <u>Percentage</u><br><u>change</u><br>% | <u>Value on</u><br><u>increase</u><br>£'000 | <u>Value on</u><br><u>decrease</u><br>£'000 |
|--------------------------------|---|---|---|---|
| UK equities                    | 631,241   | 15.7                                    | 730,346                                     | 532,136                                     |
| Overseas equities              | 937,044   | 17.8                                    | 1,103,838                                   | 770,250                                     |
| UK Fixed Interest Gilts        | 51,387  | 8.2                                     | 55,601                                      | 47,173                                      |
| UK Index-Linked Gilts          | 47,169  | 9.3                                     | 51,556                                      | 42,782                                      |
| UK Non Government Bonds        | 144,887   | 8.5                                     | 157,202                                     | 132,572                                     |
| UK Non Government Index-Linked | 5,396   | 9.3                                     | 5,898                                       | 4,894                                       |
| Overseas bonds                 | 77,983  | 11.7                                    | 87,107                                      | 68,859                                      |
| Multi-Asset Credit             | 105,417   | 7.8                                     | 113,640                                     | 97,194                                      |
| Diversified Growth Fund        | 89,774  | 10.5                                    | 99,200                                      | 80,348                                      |
| Pooled property investments    | 66,175  | 14.1                                    | 75,506                                      | 56,844                                      |
|                                | <u>2,156,473</u>                                      |   | <u>2,479,894</u>                            | <u>1,833,052</u>                            |

| <u>Asset Type</u>           | <u>Value as at 31st</u><br><u>March 2016</u><br>£'000 | <u>Percentage</u><br><u>change</u><br>% | <u>Value on</u><br><u>increase</u><br>£'000 | <u>Value on</u><br><u>decrease</u><br>£'000 |
|-----------------------------|---|---|---|---|
| UK equities                 | 377,079   | 10.5                                    | 416,748                                     | 337,410                                     |
| Overseas equities           | 503,388   | 11.0                                    | 558,811                                     | 447,965                                     |
| UK bonds                    | 189,053   | 7.0                                     | 202,343                                     | 175,763                                     |
| Overseas bonds              | 58,224  | 7.2                                     | 62,434                                      | 54,014                                      |
| UK Index Linked             | 32,262  | 9.4                                     | 35,307                                      | 29,216                                      |
| Pooled property investments | 1,106   | n/a                                     | 1,106                                       | 1,106                                       |
|                             | <u>1,161,112</u>                                      |   | <u>1,276,749</u>                            | <u>1,045,474</u>                            |

Figures for the previous year were provided by the fund's then performance measurer, State Street Analytics (formerly "the WM Company").

**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 31st March 2017 and 31st March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

| <b>Asset type</b>         | <b><u>31st March 2017</u></b><br>£'000 | <b><u>31st March 2016</u></b><br>£'000 |
|---------------------------|--|--|
| Cash and cash equivalents | <b>21,781</b>                          | 19,280                                 |
| Fixed interest securities | <b>181,996</b>                         | 157,738                                |
| Fixed income pooled funds | <b>250,243</b>                         | 121,801                                |
| <b>Total</b>              | <b><u>454,020</u></b>                  | <b><u>298,819</u></b>                  |

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

Government bond futures are used to manage interest rate risk.

## Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The fund's long-term average rates are expected to move less than 50 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis point change in interest rates.

|                           | <u>Carrying amount</u><br><u>as 31st March</u><br><u>2017</u> | <u>Change in the year in</u><br><u>the net assets available</u><br><u>to pay benefits</u> |                  |
|---------------------------|---|---|------------------|
|                           | £'000   | +100bps<br>£'000  | -100bps<br>£'000 |
| <b>Asset Type</b>         |   |   |                  |
| Cash and cash equivalents | 21,781  | 218   | (218)            |
| Fixed interest securities | 181,996   | 1,820   | (1,820)          |
| Fixed income pooled funds | 250,243   | 2,502   | (2,502)          |
| <b>Total</b>              | <u>454,020</u>  | <u>4,540</u>  | <u>(4,540)</u>   |

|                           | <u>Carrying amount as</u><br><u>31st March 2016</u> | <u>Change in the year in the</u><br><u>net assets available to pay</u><br><u>benefits</u> |                  |
|---------------------------|---|---|------------------|
|                           | £'000   | +100bps<br>£'000  | -100bps<br>£'000 |
| <b>Asset Type</b>         |   |   |                  |
| Cash and cash equivalents | 19,280  | 193   | (193)            |
| Fixed interest securities | 157,738   | 1,577   | (1,577)          |
| Fixed income pooled funds | 121,801   | 1,218   | (1,218)          |
| <b>Total</b>              | <u>298,819</u>                                      | <u>2,988</u>  | <u>(2,988)</u>   |

## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term currency rates reflect value in a particular territory and to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. The fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and Pensions Committee for each quarter of the year.

Foreign exchange forwards are used to manage currency risk.

The following table summarises the fund's currency exposure as at 31st March 2017 and as at the previous year end:

|                                       | <u>31st March 2017</u>  | <u>31st March 2016</u> |
|---------------------------------------|-------------------------|------------------------|
|                                       | £'000                   | £'000                  |
| <b>Currency exposure - asset type</b> |                         |                        |
| Overseas cash                         | 739                     | 2,086                  |
| Overseas equity unit trust            | 694,698                 | 167,694                |
| Overseas securities (quoted)          | 242,346                 | 335,693                |
| Overseas fixed income unit trusts     | 10,838                  | 10,212                 |
| Overseas public sector bonds (quoted) | 6,558                   | 1,206                  |
| Overseas corporate bonds (quoted)     | 60,587                  | 46,806                 |
| <b>Total overseas assets</b>          | <u><u>1,015,766</u></u> | <u><u>563,697</u></u>  |

### Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund's investment advisor (Mercer), the Council considers the likely volatility associated with foreign exchange rate movements to be 10% in 2016/17 (6.5% in 2015/16 as provided by WM / State Street) (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on the fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

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 Type                              | <u>Carrying amount as</u> | <u>Change to net assets available</u> |                |
|---|---------------------------|---------------------------------------|----------------|
|   | <u>at 31st March 2017</u> | <u>to pay benefits</u>                |                |
|   | £'000                     | +10%<br>£'000                         | -10%<br>£'000  |
| Overseas cash                           | 739                       | 813                                   | 665            |
| Overseas equity unit trust              | 694,698                   | 764,168                               | 625,228        |
| Overseas securities (quoted)            | 242,346                   | 266,581                               | 218,111        |
| Overseas fixed income unit trusts       | 10,838                    | 11,922                                | 9,754          |
| Overseas public sector bonds (quoted)   | 6,558                     | 7,214                                 | 5,902          |
| Overseas corporate bonds (quoted)       | 60,587                    | 66,646                                | 54,528         |
| <b>Total change in assets available</b> | <b>1,015,766</b>          | <b>1,117,344</b>                      | <b>914,188</b> |

| Asset Type                              | <u>Carrying amount as</u> | <u>Change to net assets available to</u> |                |
|---|---------------------------|--|----------------|
|   | <u>at 31st March 2016</u> | <u>pay benefits</u>                      |                |
|   | £'000                     | +6.5%<br>£'000                           | -6.5%<br>£'000 |
| Overseas cash                           | 2,086                     | 2,222                                    | 1,950          |
| Overseas equity unit trust              | 167,694                   | 178,594                                  | 156,794        |
| Overseas securities (quoted)            | 335,693                   | 357,513                                  | 313,873        |
| Overseas fixed income unit trusts       | 10,212                    | 10,876                                   | 9,548          |
| Overseas public sector bonds (quoted)   | 1,206                     | 1,284                                    | 1,128          |
| Overseas corporate bonds (quoted)       | 46,806                    | 49,848                                   | 43,764         |
| <b>Total change in assets available</b> | <b>563,697</b>            | <b>600,337</b>                           | <b>527,057</b> |

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

In managing cash balances held the fund follows the risk management approach set out in the Treasury Management Strategy of the administering authority ("the Council").

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have Aaa rating from a leading ratings agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31st March 2017 was £21 million (£18 million in 2015/16).

This was held with the following institutions:

| <b><u>Summary</u></b>        | <b>Rating</b> | <b><u>Balances as at</u><br/>31st March 2017</b> | <b><u>Balances as at</u><br/>31st March 2016</b> |
|------------------------------|---------------|--|--|
|                              |               | <b>£'000</b>                                     | <b>£'000</b>                                     |
| <b>Money market funds</b>    |               |  |  |
| NTGI global cash fund        | Aaa           | 21,228   | 18,366   |
| <b>Bank deposit accounts</b> |               |  |  |
| Variation margin             |               | 730  | 676  |
| <b>Bank current accounts</b> |               |  |  |
| NT custody cash accounts     |               | (177)  | 238  |
| Held with Council's Bankers  |               | 2,480  | 6,888  |
| <b>Total</b>                 |               | <b><u>24,261</u></b>                             | <b><u>26,168</u></b>                             |

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance. As part of the review the fund's exposure to lower rated bonds is monitored to ensure the risk of default is managed. The table below shows the credit rating of the fund's fixed interest securities as at 31st March 2017. These investments exclude the two Multi Asset Credit managers.

| <u>Rating</u> | <u>Balances as at</u><br><u>31st March 2017</u><br>£'000 | <u>Balances as at</u><br><u>31st March 2016</u><br>£'000 |
|---------------|--|--|
| AAA           | 11,276   | 12,252   |
| AA+           | 38,497   | 981  |
| AA            | 80,439   | 2,299  |
| AA-           | -  | 39,667   |
| A+            | 2,564  | 1,154  |
| A             | 37,131   | 7,633  |
| A-            | 22,263   | 17,884   |
| BBB+          | 35,906   | 28,501   |
| BBB           | 56,494   | 30,135   |
| BBB-          | 21,968   | 10,215   |
| BB+           | 3,717  | 4,577  |
| BB            | 6,885  | 1,639  |
| BB-           | 986  | 801  |
| B+            | -  | -  |
| B             | 3,741  | -  |
| B-            | 757  | -  |
| Other         | 4,197  | -  |
|               | <u>326,821</u>   | <u>157,738</u>   |

### 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 Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. The fund has immediate access to cash balances held by the administering authority. Balances held by the custodian are accessible subject to any commitments of the fund manager in whose custody account it is held.

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 in to cash. As at 31st March 2017 the value of illiquid assets was £0.8 million, which represented 0.04% of the total fund assets (£1.2 million in 2015/16, which represented 0.1% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities in the accounts at 31st March 2017 are due within one year.

### d) Refinancing risk

The fund has no refinancing risk that is distinct from that addressed by its fixed interest managers as part of their portfolio management approach.

## 17. 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 31st March 2016. As noted previously, due to the fund merger two separate valuations were carried out as at the above date, although both valuations were carried out by the same actuary using common assumptions.

The key elements of the funding policy reflected in both valuations are:

- 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
- to ensure that employer contribution rates are as stable as possible
- 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
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

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

The actuary has set a range of contribution rates appropriate to funding position of individual employers.

### Financial assumptions

|                                   | <u>Nominal</u><br><u>% p.a.</u> | <u>Real</u><br><u>% p.a.</u> |
|-----------------------------------|---------------------------------|------------------------------|
| Discount Rate                     | 4.7                             | 2.3                          |
| Short Term Pay increases          | 2.4                             | -                            |
| Long Term Pay increases           | 3.9                             | 1.5                          |
| Price Inflation/pension increases | 2.4                             | -                            |

## Historic mortality assumptions

| <u>Year Ended</u> | <u>Prospective Pensioners</u>   | <u>Pensioners</u>  |
|-------------------|---|--|
| 31st March 2016   | 2015 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.5% p.a. | 2015 CMI Model with long term rate of improvement of 1.5% p.a. |

## Commutation assumption

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

## 18. Actuarial Present Value of Promised Retirement Benefits

Following the fund merger the actuary Barnett Waddingham LLP has carried out an assessment of the actuarial value of promised retirement benefits in accordance with IAS26, using methods and assumptions that are consistent with IAS19.

The fund was measured immediately prior to the merger with London Borough of Richmond and then as a "combined fund" as at 31 March 2017.

For the combined fund the following data sources have been used:-

- the results of the valuation as at 31 March 2016 which was carried out for funding purposes;
- estimated whole Fund income and expenditure items for the period to 31 March 2017;
- estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016 and 31 December 2016; and
- details of any new early retirements for the period to 31 March 2017 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

## Demographic/Statistical Assumptions

The fund actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31st March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

|                      | <u>31st March 2017</u> | <u>30th Sept 2016</u> |
|----------------------|------------------------|-----------------------|
| <b>Expectancy</b>    |                        |                       |
| Retiring today       |                        |                       |
| - Males              | <b>24.4</b>            | 24.4                  |
| - Females            | <b>26.0</b>            | 25.9                  |
| Retiring in 20 years |                        |                       |
| - Males              | <b>26.6</b>            | 26.6                  |
| - Females            | <b>28.3</b>            | 28.2                  |

It has also been assumed that:

- members will exchange half of their commutable pension for cash at retirement;
- members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
  - The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

## Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows.

| Assumptions as at | <u>31st March 2017</u> |             | <u>30<sup>th</sup> Sept 2016</u> |             | <u>31st March 2016</u> |             |
|-------------------|------------------------|-------------|----------------------------------|-------------|------------------------|-------------|
|                   | <u>%p.a</u>            | <u>Real</u> | <u>% p.a</u>                     | <u>Real</u> | <u>% p.a</u>           | <u>Real</u> |
| CPI increases     | <b>2.7%</b>            | -           | 2.5%                             | -           | 2.3%                   | -           |
| Salary increases  | <b>4.2%</b>            | <b>1.5%</b> | 4.0%                             | 1.5%        | 4.1%                   | 1.8%        |
| Pension increases | <b>2.7%</b>            | -           | 2.5%                             | -           | 2.3%                   | -           |
| Discount rate     | <b>2.7%</b>            | -           | 2.3%                             | -0.2%       | 3.6%                   | 1.3%        |

These assumptions are set with reference to market conditions at 31st March 2017.

Our estimate of the duration of the Fund's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.6% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the assumption about CPI is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. This is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale.

The actuarial present value of promised retirement benefits at 31st March 2017 was £2,857 million (£1,865 million as at 30<sup>th</sup> September 2016 and £1,478 million in as at 31st March 2016).

The net asset value available to pay benefits as at 31st March 2017 was £2,154 million (£1,366 million as at 30<sup>th</sup> September 2016 and £1,184 million in as at 31st March 2016). Therefore the net pension liability as at 31st March 2017 was £703 million (£499 million as at 30<sup>th</sup> September 2016 and £294 million in as at 31st March 2016). The present value of the Funded Obligation consists of £2,772 million vested and £85 million in respect of non vested obligation.

The value of assets stated above as at 31st March 2017 is based on the actuary's projection of the fund value as at 31st December 2016, so may vary from the value shown in the Net Assets Statement.

**19. Current Assets**

|                                 | <u>31st March 2017</u> | <u>31st March 2016</u> |
|---------------------------------|------------------------|------------------------|
|                                 | £'000                  | £'000                  |
| <b>Current assets</b>           |                        |                        |
| Cash                            | 2,480                  | 6,888                  |
| Contributions due from employer | 840                    | -                      |
| Amount due from HMRC            | 112                    | -                      |
| Amounts due from Council        | 31                     | -                      |
| Amounts due from LB Richmond    | 625                    | -                      |
| Advances to Staff               | 2                      | 1                      |
| Overpaid pensions               |                        | 14                     |
| Fund managers' fee rebates      | 59                     | -                      |
| Sundry debtors                  | 34                     | -                      |
| <b>Total</b>                    | <u>4,183</u>           | <u>6,903</u>           |

**20. Current Liabilities**

|  | <u>31st March 2017</u> | <u>31st March 2016</u> |
|--|------------------------|------------------------|
|  | £'000                  | £'000                  |
| <b>Current liabilities</b>                   |                        |                        |
| Unpaid benefits                              | (2,123)                | (1,251)                |
| Fund managers' fees                          | (1,322)                | (1,029)                |
| Audit fee                                    | (32)                   | (11)                   |
| Amounts due to Council                       | (108)                  | -                      |
| Amounts due to HMRC                          | (702)                  | (460)                  |
| Pension due                                  | (9)                    | (2)                    |
| Pension due to Estate of deceased pensioners | (10)                   | (40)                   |
| Sundry creditors                             | (21)                   | -                      |
| <b>Total</b>                                 | <u>(4,327)</u>         | <u>(2,793)</u>         |

## 21. Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions with the Prudential, Equitable Life or Clerical Medical. Additional Voluntary Contributions are entirely separate from the Council's Pension Fund accounts.

|   | <u>Market Value</u><br><u>31st March 2017</u><br>£'000 | <u>Market Value</u><br><u>31st March 2016</u><br>£'000 |
|---|--|--|
| Balance at beginning of the year  | 4,060  | 2,828  |
| Investments purchased with AVCs   | 422  | 465  |
| Sales of investments to settle benefits due to members  | (766)  | (1,055)  |
| Changes in the value of AVCs (investment income and changes in the market value of investments) | 397  | 120  |
| <b>Balance at end of the year</b>   | <b><u>4,113</u></b>                                    | <b><u>2,358</u></b>                                    |

The amount of additional voluntary contributions paid by members during the year was £421,123.

In accordance with LGPS Regulations, AVCs are excluded from the Fund Account and Net Assets Statement.

## 22. Related Party Transactions

### Wandsworth Council (and Richmond Council)

Wandsworth Pension Fund is administered by Wandsworth Council. Consequently there is a strong relationship between the Council and the pension fund.

The Council incurred costs of £618,960 (£605,000 in 2015/16) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. During the year the Council formed a joint employer body in the fund with Richmond Council under the boroughs' Shared Staffing Arrangement (SSA). Collectively, including via the SSA, the two Councils are the largest employers in the fund and contributed £36 million to the fund in 2016/17, including amounts paid by Richmond after the fund merger (£30 million in 2015/16 for Wandsworth only). The pension fund paid benefits to former employees of the two Councils of £56m in 2016/17, including amounts paid to former Richmond employees after the merger (£46m in 2015/16 for Wandsworth only).

## **Governance**

In recognition of the fund merger the former Pensions Committee was reconstituted during 2016/07 as a Joint Pensions Committee with three members from the former London Borough of Richmond Pension Fund Committee being co-opted. Of the nine members serving on the Committee, 1 is in receipt of a LGPs pension and 3 others have a deferred benefit in the scheme.

Each member of the Pension Fund Committee is required to declare their interests. The key officers responsible for the pension fund, Mr. M. Maidment (Director of Resources and Deputy Chief Executive), Mr. P Guillotti (Assistant Director – Financial Services), Ms C Hollands (Head of Pensions Shared Service) and Mr. M. Smith (Pension Fund Controller), are all active members of the scheme. In addition Mr. C Buss (former Director of Finance and Deputy Chief Executive) and Mr. P Harris (former Pension Fund Controller), retired from service during 2016/17 or in early 2017/18 and are in receipt of a pension. Details of how the scheme benefits are administered can be found at [www.lgps.org.uk](http://www.lgps.org.uk).

## **23. Contractual Commitments**

There are no outstanding capital commitments (investments) at 31st March 2017 (£nil in 2015/16).

## **GLOSSARY OF TERMS USED IN THE ACCOUNTS**

### **Accruals**

Sums included in the final accounts to cover income and expenditure attributable to the financial year, but for which payments had not been received or made as at 31st March.

### **Capital Expenditure**

The statutory definition extends to:

- the acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- the acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
- the making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him on matters mentioned in the three categories above or in the acquisition of investments;
- the acquisition of share or loan capital in any body corporate.

### **Capital Financing Costs**

Charges made to services for the capital employed in their delivery.

### **Capital Receipts**

Income from the sale of capital assets, mainly council dwellings, but including all sales of land, building and plant.

### **Central Support Services**

Support services are activities which are not statutory local authority services in their own right, but give technical, organisational and administrative support to those services.

### **Collective Investment Vehicle**

A collaboration of 32 London LGPS Funds working more closely together on both investment and administration. At 31st March one of the Council's portfolios, Allianz, had already migrated to the CIV, it is now managed and administered by the CIV who on behalf of the Fund. Further portfolios to follow over the next 2 years.

### **Council Tax**

The local taxes on property, set by the charging authority and the precepting authorities in order to collect sufficient revenue to meet their demand on the Collection Fund. It is based on the value of the property and the number of residents. The Valuation Office Agency assesses the properties in each district and assigns each property to one of eight valuation bands, A to H. The tax is calculated on the basis of the weighted number of properties, equated to Band D. Tax levels for dwellings in other bands are then set relative to the Band D amount.

### **Direct Service Organisation (DSO)**

A group of council employees operating on an arms-length quasi-contractual footing, to provide work on services won in competition with private sector firms.

### **General Fund**

The fund within which most transactions of a local authority take place. Although strictly it includes the Housing Revenue Account, it commonly refers only to items outside that Account. Other funds held by a local authority may include a Collection Fund, Pension Fund and trust funds held for charitable purposes.

### **Housing Benefit**

Financial help given to local authority or private tenants whose income falls below prescribed amounts.

### **Housing Revenue Account (HRA)**

A local authority statutory account, legally within the General Fund, but commonly regarded as distinct covering current income and expenditure relating to its own housing stock.

### **Long Term Debtors**

These debtors represent the capital income still to be received where sales of assets have taken place and deferred receipts, such as mortgages, have been agreed.

### **Major Precepting Authority**

The Greater London Authority makes a precept on the Collection Fund, as county councils do elsewhere.

### **Non-Domestic Rates**

A national tax on businesses, according to the rental value of the properties they occupy. Prior to 1990/91, rate poundages were set by local authorities and so varied from authority to authority, but from 1st April 1990, a single national poundage has been set by the Government. Since April 2005, a Small Business rate poundage has also applied. From April 2013 the proceeds are shared between the Council (30%), Central Government (50%) and the Greater London Authority (20%), prior to that they were pooled nationally.

### **Precept**

The amount required from the Collection Fund to finance the expenditure of a major precepting authority.

### **Provisions**

Amounts set aside generally as estimates of liabilities or losses already incurred but whose exact amount will be determined in the future e.g. bad debts.

### **Reserves**

Revenue account reserves can be amounts for general contingencies and to provide working balances, or they can be earmarked to specific future expenditure.

### **Revenue Expenditure**

In a general sense, expenditure on recurring items including the running of services, interest, and annual debt repayments.

### **Trading Accounts**

The accounts which summarise the revenue transactions of those services operating on a "trading" basis which are financed by charges made to recipients of the services.

### **Transfer Value**

A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.

**ABBREVIATIONS USED IN THE ACCOUNTS**

|        |  |
|--------|--|
| AQPR   | Annual Quality and Performance Review                    |
| AVC    | Additional Voluntary Contribution                        |
| CFR    | Capital Financing Requirement                            |
| CIL    | Community Infrastructure Levy                            |
| CIPFA  | Chartered Institute of Public Finance and Accountancy    |
| CIV    | Collective Investment Vehicle                            |
| CPI    | Consumer Prices Index                                    |
| DHP    | Discretionary Housing Payments                           |
| DMO    | Devolved Management Organisations                        |
| DSG    | Dedicated Schools Grant                                  |
| DSO    | Direct Service Organisation                              |
| EUV-SH | Existing Use Value for Social Housing                    |
| GLA    | Greater London Authority                                 |
| HRA    | Housing Revenue Account                                  |
| IAS    | International Accounting Standard                        |
| ICT    | Information Communication Technology                     |
| IFRS   | International Financial Reporting Standard               |
| ISB    | Individual Schools Budget                                |
| JCB    | Joint Commissioning Bodies                               |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee   |
| LIBID  | London Interbank Bid Rate                                |
| LFEPA  | London Fire and Emergency Planning Authority             |
| LGPS   | Local Government Pension Scheme                          |
| LPFA   | London Pension Fund Authority                            |
| MMF    | Money Market Funds                                       |
| MRA    | Major Repairs Allowance                                  |
| NEET   | Not in Education, Employment, or Training                |
| NHS    | National Health Service                                  |
| NNDR   | National Non-Domestic Rates                              |
| OSC    | Overview and Scrutiny Committee                          |
| PPE    | Property, Plant and Equipment                            |
| PWLB   | Public Works Loans Board                                 |
| RPI    | Retail Prices Index                                      |
| RV     | Rateable Value   |
| SEN    | Special Educational Needs                                |
| SeRCOP | Service Reporting Code of Practice for Local Authorities |
| SOLACE | Society of London Authority Chief Executives             |
| SSA    | Shared Staffing Arrangement                              |
| VAT    | Value Added Tax  |
| WRWA   | Western Riverside Waste Authority                        |



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