

Wandsworth Council

Accounts for the year 2017/18

Mark Maidment CPFA

Director of Resources and Deputy Chief Executive

**Audited
Published 31 July 2018**

These financial statements replace the unaudited financial statements certified by Mark Maidment on 31 May 2018

www.wandsworth.gov.uk

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Narrative Report

Introduction

The Council's financial Accounts for the year ended 31 March 2018 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 format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), which in turn is underpinned by International Financial Reporting Standards.

The Statement of Accounts is made up of 4 core statements as follows:

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

Organisational Overview

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

The Council has an ambitious vision for the Borough's future as it manages the biggest council-led regeneration and economic development programme in London. The Council will measure regeneration success in terms of the benefits it brings to its communities and will work hard to harness every opportunity that comes with new investment in the Borough. Clear and challenging targets have been set for delivering new jobs, apprenticeships, transport links, cultural attractions, business opportunities and genuinely affordable homes.

Wandsworth has a lot to be proud of, including the lowest crime rate in inner London, a school network with 97% rated good or outstanding, a first class library network, beautiful parks and commons, excellent transport links and one of London's best affordable home building records. But none of this can ever be taken for granted, and listening to its residents and responding to their changing needs is a key feature of its business model.

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

The Council has 5 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:

- Delivering high quality, value for money services
- 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 – including carers and those in housing need
- Building a prosperous, vibrant and cohesive community

Performance against these corporate objectives is reviewed regularly.

Operational Model

The Council delivers some services itself, commissions others to provide some services on its behalf and also works with partners to deliver services. Commissioning is an ongoing process that includes assessing needs, engaging with local people to prioritise services and then planning and securing those services. The voluntary sector is both a key partner and provider of services in the Borough.

The Council directly delivers a number of services and is organised into 5 directorates:

- Adult Social Services
- Chief Executive's Group
- Children's Services
- Environment and Community Services
- Housing and Regeneration
- Resources

The Council operates a Shared Staffing Arrangement (SSA) with the London Borough of Richmond upon Thames (LB Richmond). The arrangement commenced on 1 October 2016, creating a single staffing structure across the 2 boroughs and has already delivered substantial savings to preserve front-line services. The SSA has created one of the largest staff groups in local government, which will enable the two Councils to retain quality, specialisms and expertise which are more sustainable in a larger organisation.

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

Risks

The Audit Committee of the Council has responsibility for monitoring the effective development and operation of risk management policies in the Council, making recommendations to the Executive on risk management procedures. The Annual Governance Statement again confirms that the Council's Risk Management Strategy is effective and well embedded into corporate management processes. The latest review of key risks and mitigating controls can be found here:

<https://democracy.wandsworth.gov.uk/documents/s56813/18-125%20-%20Annual%20Review%20of%20Risk%20Management.pdf>

A key risk affecting the Council relates to its financial position. In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally. The Government's current "*Fairer Funding*" review of its national distribution formulae also adds uncertainty to the Council's financial outlook.

In addition to further anticipated reductions in Government funding the Council also expects to see rising demand for services from an increasing demographic in general but, as seen in 2017/18, in adult social care and children's specialist services in particular. In addition there is pressure on the Dedicated Schools Budget which funds schools and the Council's General Fund holds the funding risk where grant funding for schools proves insufficient to meet statutory requirements.

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

Performance

As the Council's main strategy document, the Corporate Business Plan plays a key role in shaping the performance management framework for the Council. A suite of performance indicators is included within the Corporate Business Plan to help monitor performance and track progress on key issues for the Council. The Corporate Business Plan is reported to the Finance and Corporate Resources Overview and Scrutiny Committee in June each year and the latest committee report can be viewed on the Council's website at www.wandsworth.gov.uk/cbp.

Financial Performance

General Fund Revenue Budgets

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

Committee	Revised Budget £000	Outturn £000	Variance £000
Adult Care and Health	73,155	77,844	4,689
Education and Children's Services	84,170	90,657	6,487
Community Services	42,626	40,019	(2,607)
Finance and Corporate Resources	(4,484)	(10,233)	(5,749)
Housing and Regeneration	5,218	5,320	102
Total – Committee Budgets	200,685	203,607	2,922
Non-service specific Government grants and other adjustments	(22,359)	(22,612)	(253)
Contributions to/(from) reserves	(11,261)	(14,780)	(3,519)
Net Expenditure	167,065	166,215	(850)
Funded By:			
Revenue Support Grant	37,014	37,014	-
Retained Business Rates	34,217	34,217	-
Business Rates Top-up	34,236	34,392	(156)
Collection Fund Surplus	1,850	1,850	-
Council Tax Requirement	53,890	53,890	-
Total	161,207	161,363	(156)
Reduction in General Fund Balance in Year	5,858	4,852	(1,006)
General Fund Balance at 31 March 2017	19,358	19,358	-
General Fund Balance at 31 March 2018	13,500	14,506	1,006

Further information on the Council's financial performance is reported to the Finance and Corporate Resources Overview and Scrutiny Committee in June of each year and the latest report can be viewed on the Council's website at <https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=500&MId=5657&Ver=4>.

The Council's net revenue expenditure on committee budgets was £2.922m more than the revised budget. The overspend is mainly a result of increased pressures on Adults and Children's budgets, particularly in relation to the cost of care, and these are continuing risks as detailed in the paragraphs above. The net overspend in adult social care services (+£4.7m) has largely resulted from increased demand resulting in higher than budgeted costs of external placements (in particular home care packages). Children's specialist services pressures (+£5.5m) have impacted on internal staffing costs to deal with the increased caseloads and higher costs of external placements and early intervention measures to mitigate future long term costs. In addition Special Education Needs transport has also seen higher costs and demand (+£1.5m). These overspends have been largely offset by higher levels of housing benefit overpayment debt (-£1.5m) and higher housing benefit subsidy than budgeted for (-£1m), unutilised SSA budgets (-£2.9m) relating to projects which are continuing in future years and will be carried over into 2018/19, lower than expected volumes of waste for collection/disposal and slippage on environment projects (-£1m) and higher than budgeted parking enforcement and fee income (-£1.3m).

Revenue Reserves

The Council's General Fund Reserve opening balance was £19.4m at 1st April 2017. The Children's Services Recovery Reserve has been entirely expended in year to fund the additional children's services pressures and, after other planned use of reserves, the remaining General Fund Reserve balance is £20.5m. It is therefore proposed to transfer £6.1m into the Financial Resilience Reserve, leaving £14.5m in the General Fund Reserve at 31 March 2018. Overall, useable reserves available for Council Tax purposes (including the General Fund Reserve) have reduced during the year by £17.7m to £175.5m.

Treasury Management

Management of the Council's investments continued to be challenging during 2017/18 with base rate at a historically low level of 0.25% for the first half of the year following the European Union Referendum result. Rates improved marginally in November when base rate increased by 0.25% but there have been no further increases to date. Action continued to be taken to mitigate the effect of such low interest rates, whilst continuing to safeguard investments. Investments began the year at £524 million and ended the year at £535 million. The average interest rate performance was 0.79% (0.95% 2016/17), exceeding the 7 day LIBID benchmark. External debt reduced from £138 million to £121 million continuing the repayment of the Long-Term borrowing taken up for the HRA subsidy buy-out in 2012.

Capital Expenditure

Capital expenditure for the year, excluding expenditure on council housing, was £47.761m. The programme included the purchase of £10m of investment property in 2017/18 primarily to generate rental income for the Council. The programme also included £16.3m of investment in the Borough's infrastructure, £5.5m relating to the development of Greenmead/Ronald Ross schools, and £1.9m of spend on LED street lighting.

The outturn against planned budget was as follows:

Committee	Actual 2017/18 £'000	Budget 2017/18 £'000	Variance £'000
Adult Care and Health	505	2,462	(1,957)
Community Services	17,286	32,836	(15,550)
Education and Children's Services	10,765	11,809	(1,044)
Finance and Corporate Resources	17,830	35,634	(17,804)
Housing and Regeneration	1,375	4,184	(2,809)
Total - Committee Budgets	47,761	86,925	(39,164)
Financed by:			
Capital Receipts Applied:	24,826	45,001	
Grants and Reimbursements	22,935	41,924	
	47,761	86,925	

Unspent budget on schemes will be slipped in to future years where appropriate. Capital receipts of £30.6 million were received during the year, in addition to capital grants and reimbursements of £21.9 million and Community Infrastructure Levy payments of £22.9 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 £37.0 million (£50.8 million 2016/17) of usable capital receipts.

Schools Budget

The schools budget (excluding balances retained by schools under devolved management arrangements) was overspent in the year by a net total of £1.052m. This overspend will be carried forward to 2018/19 reducing Dedicated Schools Grant resources in future years. A plan has been put in place to recover this deficit from centrally controlled expenditure.

Council Housing

The Housing Revenue Account (HRA) made a net surplus of £11.1m. This was added to the HRA Revenue Reserve and Major Repairs Reserve, increasing the balance to £333m. The balance on the HRA reserves is retained against the risk of future shortfalls on the ringfenced account, to fund future expenditure on major repairs and to contribute towards the Council's regeneration plans.

Collection Fund

The Collection Fund net deficit at the year end was £0.1m: a £3.3m surplus in relation to Council Tax and a £3.4m deficit in relation to business rates. This will be taken into account when setting the levels of Council Tax in future years.

Pensions

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

The Fund (as with the majority of LGPS funds) has a net deficit, with an agreed deficit recovery period driving the investment strategy. The Fund's net liability decreased this year by £57.4m to £328.3m. The main reason for the decrease in the deficit is changes in financial assumptions which include a decreased discount rate increasing the net present value of projected liabilities and expected inflation increases, offset by increased investment returns.

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 underperforming and to meet costs relating to its membership of other pension schemes.

Outlook

The MTFS details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding and increasing demographic pressures on some services. The Council has already delivered in excess of £140m of ongoing savings since 2010 but more will be needed. There are a number of work streams where the Council is reviewing areas of expenditure or income with a view to reducing the overall budget – increasing income and reducing expenditure from shared services, service re-configuration, better procurement and the market testing of services. The Council has a statutory duty to balance the budget year on year which can include the use of reserves, and reserve balances will continue to be reviewed annually as a result.

The MTFS highlights the options available for meeting the current funding gap whilst maintaining the Council's policy of a distinctively low Council Tax. It identifies how a mix of efficiencies, economies and charge increases (including modest Council Tax increases) when combined with a planned run down of reserves will continue to allow for a balanced budget. The overall aim of this approach is to protect, as far as is practicable, local services whilst enhancing working arrangements with other Councils and other public bodies, creating a sustainable financial position.

Statement of Responsibilities

Responsibilities of the Council

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources and Deputy Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Resources and Deputy Chief Executive

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

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

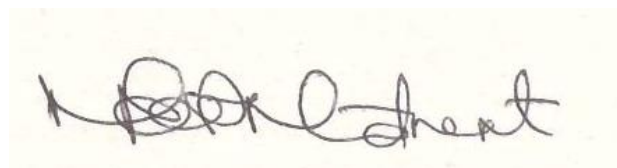
- selected suitable Accounting Policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with The Code.

The Director of Resources and Deputy Chief Executive has also:

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

Certificate

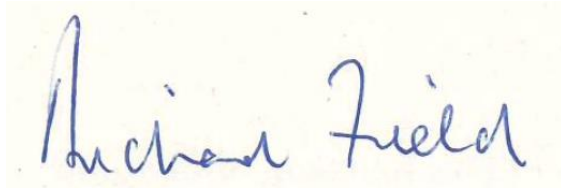
I certify that the Statement of Accounts gives a true and fair view of the financial position of Wandsworth Council as at the 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

A handwritten signature in black ink, appearing to read 'Mark Maidment', is written on a light-colored rectangular background.

Mark Maidment
Director of Resources and Deputy Chief Executive
31 July 2018

Certificate of Approval

These financial statements were approved by the Audit Committee on 24 July 2018.

A handwritten signature in blue ink on a light yellow background. The signature reads "Richard Field".

**Chairman
Audit Committee
31 July 2018**

Date authorised for issue: This statement of Accounts is authorised for issue on 31 July 2018 and any events up to this date are reflected in the note Events after the Balance Sheet date.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with the Code, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17			2017/18			
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Note	£000	£000	£000
129,350	(53,618)	75,732		135,969	(55,483)	80,486
128,824	(90,344)	38,480		104,590	(65,946)	38,644
296,911	(198,260)	98,651		322,065	(207,095)	114,970
365,396	(207,623)	157,773		215,750	(194,683)	21,067
27,299	(20,623)	6,676		34,578	(26,550)	8,028
106,550	(141,063)	(34,513)		122,859	(139,462)	(16,603)
1,054,330	(711,531)	342,799		935,811	(689,219)	246,592
11,242	(31,699)	(20,457)	10	8,628	(22,359)	(13,731)
55,998	(50,740)	5,258	11	73,122	(68,587)	4,535
0	(287,460)	(287,460)	12	0	(221,090)	(221,090)
1,121,570	(1,081,430)	40,140		1,017,561	(1,001,255)	16,306
		(42,662)	14			(132,161)
		29				(1,325)
		(77,128)	45			(92,691)
		(119,761)				(226,177)
		(79,621)				(209,871)

Balance Sheet

Reserves are reported in 2 categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the MiRS line; adjustments between accounting basis and funding basis under regulations.

31 March 2017			31 March 2018	
£000	<i>Note</i>		£000	
2,130,194	14	Property, Plant and Equipment	2,262,380	
748	15	Heritage Assets	748	
49,329	18	Investment Property	58,866	
25	17	Intangible Assets	194	
106,675	19	Long Term Investments	69,239	
9,702		Long Term Debtors	910	
2,296,673		Long Term Assets	2,392,337	
373,837	19	Short-Term Investments	443,214	
12,507	24	Assets Held for Sale	12,012	
1,107	16	Inventories	3,238	
130,489	22	Short Term Debtors	142,268	
50,208	23	Cash and Cash Equivalents	40,477	
568,148		Current Assets	641,209	
(17,846)	19	Short-Term Borrowing	(17,782)	
(170,277)	25	Short-Term Creditors	(204,694)	
(11,668)	26	Provisions	(4,756)	
(199,791)		Current Liabilities	(227,232)	
(9,340)	26	Provisions	(9,557)	
(120,412)	19	Long Term Borrowing	(103,211)	
(385,711)		Other Long-Term Liabilities	(328,301)	
(3,201)	40	Grants Receipts in Advance - Capital	(9,008)	
(518,664)		Long Term Liabilities	(450,077)	
2,146,366		Net Assets	2,356,237	
(670,284)	27	Usable Reserves	(656,375)	
(1,476,082)	28	Unusable Reserves	(1,699,862)	
(2,146,366)		Total Reserves	(2,356,237)	

Movement in Reserves Statement

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

Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	(19,358)	(174,086)	(130,878)	(50,848)	(190,994)	(104,120)	(670,284)	(1,476,082)	(2,146,366)
Movement in reserves during 2017/18									
(Surplus) or deficit on the provision of services <i>CI&ES</i>	53,926		(37,620)				16,306		16,306
Other Comprehensive Income / Expenditure <i>CI&ES</i>								(226,177)	(226,177)
Total Comprehensive Income and Expenditure	53,926	0	(37,620)				16,306	(226,177)	(209,871)
Adjustments between accounting basis and funding basis under regulations <i>9</i>	(36,209)		35,733	13,868	(9,262)	(6,527)	(2,397)	2,397	0
Net (increase) or decrease before Transfers to Earmarked Reserves	17,717	0	(1,887)	13,868	(9,262)	(6,527)	13,909	(223,780)	(209,871)
Transfers to / from Earmarked Reserves <i>13</i>	(12,865)	12,865					0	0	0
(Increase) or decrease in 2017/18	4,852	12,865	(1,887)	13,868	(9,262)	(6,527)	13,909	(223,780)	(209,871)
Balance at 31 March 2018	(14,506)	(161,221)	(132,765)	(36,980)	(200,256)	(110,647)	(656,375)	(1,699,862)	(2,356,237)

	<i>Note</i>	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016		(15,748)	(198,991)	(121,896)	(54,868)	(170,170)	(51,978)	(613,651)	(1,453,094)	(2,066,745)
Movement in reserves during 2016/17										
(Surplus) or deficit on the provision of services	<i>CI&ES</i>	112,321		(72,181)				40,140		40,140
Other Comprehensive Income / Expenditure	<i>CI&ES</i>								(119,761)	(119,761)
Total Comprehensive Income and Expenditure		112,321	0	(72,181)				40,140	(119,761)	(79,621)
Adjustments between accounting basis and funding basis under regulations	9	(91,026)		63,199	4,020	(20,824)	(52,142)	(96,773)	96,773	0
Net (increase) or decrease before Transfers to Earmarked Reserves		21,295	0	(8,982)	4,020	(20,824)	(52,142)	(56,633)	(22,988)	(79,621)
Transfers to / from Earmarked Reserves	13	(24,905)	24,905	0				0	0	0
(Increase) or decrease in 2016/17		(3,610)	24,905	(8,982)	4,020	(20,825)	(52,142)	(56,633)	(22,988)	(79,621)
Balance at 31 March 2017		(19,358)	(174,086)	(130,878)	(50,848)	(190,994)	(104,120)	(670,284)	(1,476,082)	(2,146,366)

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.

2016/17			2017/18
£000	Note		£000
40,140		Net (surplus) or deficit on the provision of services	16,306
(154,442)		Adjustment to (surplus) or deficit on the provision of services for noncash movements	(127,391)
149,807		Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	61,876
35,505	29	Net cash flows from operating activities	(49,209)
(26,372)	30	Net cash flows from investing activities	44,232
16,047	31	Net cash flows from financing activities	14,708
25,180		Net (increase) or decrease in cash and cash equivalents	9,731
75,388		Cash and cash equivalents at the beginning of the reporting period	50,208
50,208		Cash and cash equivalents at the end of the reporting period	40,477

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its year end position at 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC).
- Relevant statutory guidance issued by Government.

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

1.2 Going Concern

The Council's financial statements are prepared on the going concern basis; that is, the Accounts are prepared on the assumption that the authority will continue in operational existence in the foreseeable future. Transfers of services under combinations of public sector bodies such as Government reorganisation do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

1.3 Accruals of Income and Expenditure

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

Income:

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

Expenditure

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption (and the values are material) they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest

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

Debtor and creditor balances (accrual policy)

- Where revenue income and expenditure 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 (i.e. collection is doubtful), the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Utility payments

Accruals are made for outstanding invoices (for example 4th quarter not paid by 31 March) but no accruals are calculated for consumption of utilities that have not been billed at 31 March. This departure from the Code is made on the basis that taking 1 year with another the effect of this treatment on the Accounts is negligible and does not justify the additional time and cost necessary to accurately estimate consumption figures for the numerous cost centres affected.

Income from Penalty Charge Notices (PCNs)

Income received from PCNs does not directly relate to the full recorded value of notices issued due to the incidence of discount for prompt payment, disputed notices and other mitigating circumstances. As a consequence income is recognised on cash basis. The effect of this treatment, taking 1 year with another, is estimated to be not material.

De Minimis levels

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year end in order to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and was set at £10k for 2017/18.

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

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

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than 3 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.

1.5 Long term non-monetary assets

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

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

1.6 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.7 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise 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.

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 31 March 2018 but have not yet taken. For 2017/18 there has been a change in accounting policy with this provision now being reclassified as a Short-Term creditor. This change has not been restated in the 2016/17 figures.

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

1.8 Charges to Revenue for Non-Current Assets

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

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

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

1.9 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council are members of 3 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 Education and Children's Services line in the CIES is charged with the employer's contributions payable to teachers' pensions in the year. The relevant service line(s) in the CIES are charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS)

The LGPS 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 7 components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or deficit on Provision of Services in the CIES.
- Interest cost – the expected increase in the present value of liabilities during the year as they move 1 year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected Long-Term return credited to the Financing and Investment Income and Expenditure line in the CIES.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or deficit on Provision of Services in the CIES.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.10 Fair value measurement

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

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

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

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

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

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

- Level 3 – unobservable inputs for the asset or liability.

1.11 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. 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 CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into 2 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the 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 CIES 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 CIES. 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 CIES.

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.

1.12 Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy (CIL)

The Council has elected to charge a CIL. The levy commenced on 1 November 2012 and is charged on any development over 100 square metres, at differential rates depending on location in the Borough, with the appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy 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 CIES 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 (TfL), except for a 4% administration fee which is credited to the CIES.

1.13 Heritage Assets

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

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

1.14 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

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

1.15 Inventories

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

1.16 Investment Property

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

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

Investment Properties have been valued by the Council's valuation contractor 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.

1.17 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund balance to the CAA then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.18 Leases

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

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

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

The Authority as Lessee

Finance Leases: No finance leases are currently held

Operating Leases: Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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

1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than 1 financial year are classified as property, plant and equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- 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 5 years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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

- Valuations of Housing Revenue Account (HRA) dwellings, garages and hostel accommodation have been carried out by members of the Royal Institute of Chartered Surveyors (RICS) employed by Wilks Head and Eve in accordance with the advice set out in the "Guidance on Stock Valuation for Resource Accounting".
- Valuations of other operational and investment properties were carried out by members of the RICS employed by Wilks Head and Eve in accordance with the Appraisal and Valuation Standards of RICS. Not all the properties were inspected as this was neither practicable nor considered by the Borough Valuer to be necessary for the purpose of the valuations.
- The valuation dates and the stock composition dates for the exercise were as follows:

Portfolio	Valuation Date	Stock Composition Date
Operational	31 March 2018	31 March 2018
Held for Sale	31 March 2018	31 March 2018
Residential	31 March 2018	31 March 2018
Investment	31 March 2018	31 March 2018

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

Amounts received for a disposal in excess of £10k 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 CRR, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the MiRS.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the General Fund balance in the MiRS.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Carbon Reduction Commitment Scheme (CRC)

The Council is required to participate in the CRC energy efficiency scheme. This scheme is currently in its second phase which will last until 31 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.

1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

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

1.22 VAT

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

1.23 Accounting for schools

Revenue Income and Expenditure

The Council includes all revenue income and expenditure and resulting assets and liabilities (e.g. debtors, creditors, reserves etc.) arising from maintained schools as part of its Accounts. Revenue income and expenditure incurred by Academies and voluntary aided (VA) schools are not consolidated into the Council's Accounts.

Capital

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

Note 2 - Accounting Standards Issued, Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully by the Council in the 2018/19 financial statements. The Council is required to disclose information relating to the expected impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council.

These are as follows:

1. IFRS 9 Financial Instruments has been issued with effect from 1 April 2018 and replaces IAS 39 Financial Instruments, Recognition and Measurement.

IFRS 9's main changes include a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, a forward looking 'expected loss' model for impairment rather than an 'incurred loss' model, and new provisions on hedge accounting. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through Other Comprehensive Income respectively based on the contractual cash flows and business model for holding the assets. The Government is consulting on a possible statutory override that may reduce or eliminate the impact of any unrealised gains or losses on the Council Tax payer. If this is forthcoming regulations to implement the override will be laid before the end of 2018/19. Before this is confirmed it is difficult to estimate the potential impact on the Council's finances. Assessment of the Council's financial assets does not anticipate any impairment.

2. IFRS 15 Revenue from Contracts with Customers was issued in May 2014 but effective only from 1 January 2018, and replaces IAS 18 Revenue and IAS 11 Construction Contracts.

IFRS 15 provides a comprehensive standard for revenue recognition to address inconsistent practices, the core principle being that revenue depicts the 'expected entitlement'. It is considered that these changes will have a limited impact on Wandsworth Council which has relatively predictable income streams.

3. IFRS 16 Leases was issued in January 2016 and is effective from 1 January 2019 which means that it is anticipated to apply to local authorities in the 2019/20 financial year.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 Leases and, instead, introduces a single lessee accounting model. This means that all leases for substantial assets with a term of more than 12 months will be accounted for by recognising a 'right-of-use' asset on the Balance Sheet, together with a lease liability initially measured at the present value of the unavoidable lease payments. In overall terms, this means that leases currently accounted for as operating leases would be treated similarly to finance leases (but recognising only a proportion of the asset's overall value). The effect of this standard is anticipated to take effect from 2019/20 and will be assessed in the next financial year.

Note 3 - 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 Notes 40 and 48.

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

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

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

Property, Plant and Equipment

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 31 March 2018, the Council had a provision of £8.9m 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 1 year increase in life expectancy would result in an increase in the pension liability of £44.8 million. However, the assumptions interact in complex ways. During 2017/18, the Council's Actuary advised that the net pensions liability had reduced by £57.4m mainly due to changes in the financial assumptions, notably the discount rate.

Arrears

At 31 March 2018, 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.

Note 5 - Material Items of Income and Expense

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2017/18 the following material items were reported as part of the Accounts:

General Fund Capital receipts totalling £11.8m were received in 2017/18 (£15.4m in 2016/17). The main items within this were an instalment received from the sale of the site at 17-27 Garratt Lane for £8.7m and £2.2m for the Atheldene redevelopment. HRA capital receipts totalling £18.9m were received in 2017/18 (£27.9m in 2016/17) including £6.4m Right to Buy sales (£7.9m in 2016/17).

The Council purchased £10.0m of investment property in 2017/18 primarily to generate rental income for the Council. The Council's General Fund Capital Programme also included £4.7m relating to the expansion of the Royal College of Art in Battersea. This is fully funded by Government grant with no net cost to the Council.

Note 6 - Events After the Balance Sheet Date

None to report.

Note 7 - Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund Balance	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
74,544	1,188	75,732	Adult Care and Health	77,843	2,643	80,486
40,907	(2,427)	38,480	Community Services	40,017	(1,373)	38,644
84,712	13,939	98,651	Education and Children's Services	90,657	24,313	114,970
(11,471)	169,244	157,773	Finance and Corporate Resources	(10,235)	31,302	21,067
5,384	1,292	6,676	Housing and Regeneration	5,324	2,704	8,028
(8,982)	(25,531)	(34,513)	Housing Revenue Account	(1,887)	(14,716)	(16,603)
185,094	157,705	342,799	Net Cost of Services	201,719	44,873	246,592
(181,921)	(120,738)	(302,659)	Other Income and Expenditure	(198,754)	(31,532)	(230,286)
3,173	36,967	40,140	(Surplus) or deficit on Provision of Services	2,965	13,341	16,306
137,643			Opening Combined General Fund Balance	150,236		
(3,173)			Plus / less (surplus) or deficit on the General Fund Balance for the Year (Statutory basis)	(2,965)		
15,766			Transfers (to)/from Earmarked Reserves	0		
150,236			Closing Combined General Fund Balance	147,271		

Note 7a - Note to the Expenditure and Funding Analysis

2017/18

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adult Care and Health	555	2,074	14	2,643
Community Services	(607)	2,833	(3,599)	(1,373)
Education and Children's Services	11,392	14,445	(1,524)	24,313
Finance and Corporate Resources	3,260	1,620	26,422	31,302
Housing and Regeneration	660	996	1,048	2,704
Housing Revenue Account	34,008	2,871	(51,595)	(14,716)
Net Cost of Services	49,268	24,839	(29,234)	44,873
Other Income and Expenditure	5,062	10,220	(46,814)	(31,532)
Difference between the Statutory Charge and the (surplus) or deficit in the Comprehensive Income and Expenditure Statement	54,330	35,059	(76,048)	13,341

2016/17

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£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)
Net Cost of Services	10,333	135,590	55	145,978
Other Income and Expenditure	(129,467)	12,131	(695)	(118,031)
Difference between the Statutory Charge and the (surplus) or deficit in the Comprehensive Income and Expenditure Statement	(119,134)	147,721	(640)	27,947

Note 8 - Expenditure and Income Analysed by Nature

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

2016/17		2017/18
£000	Nature of Expenditure or Income	£000
(402,056)	Fees, charges and other service income	(403,900)
(14,305)	Interest and investment income	(4,435)
(83,122)	Income from local taxation	(89,251)
(552,269)	Government grants and contributions	(533,097)
361,170	Employee benefits expenses	286,149
46,790	Support service recharge expenditure	65,861
647,919	Other service expenses	618,390
43,591	Depreciation, amortisation and impairment etc.	88,529
8,105	Interest payments	2,251
4,741	Precepts and levies	5,049
(23,154)	Gain or Loss on Sale of Assets	(22,359)
2,730	Payments to Housing Capital Receipts Pool	3,119
40,140 (Surplus) or deficit for Year		16,306

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total CIES recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2017/2018	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<u>Adjustments to the Revenue Resources</u>						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(31,400)	(3,881)				35,281
Council Tax and NDR (transfers to or from the Collection Fund)	1,108					(1,108)
Holiday pay (transferred to the Accumulated Absences reserve)	(368)	99				269
Reversal of entries included in the (Surplus) or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,404)	(52,784)	(216)		(34,935)	93339
Total Adjustments to Revenue Resources	(36,064)	(56,566)	(216)	0	(34,935)	127,781
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,974	23,978	(26,952)			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(80)	80			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(3,119)		3,119			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		20,757		(20,757)		
Borrowing or liabilities met from the Housing Revenue Account		47,644				(47,644)
Total Adjustments between Revenue and Capital Resources	(145)	92,299	(23,753)	(20,757)	0	(47,644)
<u>Adjustments to Capital Resources</u>						
Use of the Capital Receipts Reserve to finance capital expenditure			46,496			(46,496)
Use of the Major Repairs Reserve to finance new capital expenditure				11,495		(11,495)
Application of capital grants to finance capital expenditure					28,408	(28,408)
Cash payments in relation to deferred capital receipts			(8,659)			8,659
Total Adjustments to Capital Resources	0	0	37,837	11,495	28,408	(77,740)
Total Adjustments	(36,209)	35,733	13,868	(9,262)	(6,527)	2,397

2016/2017	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources</u>						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(141,515)	(6,206)				147,721
Council Tax and NDR (transfers to or from the Collection Fund)	1,270					(1,270)
Holiday pay (transferred to the Accumulated Absences reserve)	(20)	(35)				55
Reversal of entries included in the (Surplus) or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	38,090	(19,972)			(104,268)	86,150
Total Adjustments to Revenue Resources	(102,175)	(26,213)	0	0	(104,268)	232,656
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	17,528	27,745	(45,273)			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(94)	94			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,730)		2,730			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		23,861		(23,861)		
Borrowing or liabilities met from the Housing Revenue Account		37,900				(37,900)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	121					(121)
Total Adjustments between Revenue and Capital Resources	14,919	89,413	(42,449)	(23,862)	0	(38,021)
<u>Adjustments to Capital Resources</u>						
Use of the Capital Receipts Reserve to finance capital expenditure			48,813			(48,813)
Use of the Major Repairs Reserve to finance new capital expenditure				3,037		(3,037)
Application of capital grants to finance capital expenditure					52,126	(52,126)
Cash payments in relation to deferred capital receipts			(6,114)			6,114
Total Adjustments to Capital Resources	0	0	42,699	3,037	52,126	(97,862)
Other adjustments	(3,770)		3,770			
Total Adjustments	(91,026)	63,199	4,020	(20,824)	(52,142)	96,773

Note 10 - Other Operating Expenditure

2016/17		2017/18
£000		£000
4,741	Levies	5,509
2,730	Payments to the Government Housing Capital Receipts Pool	3,119
(27,928)	(Gains)/losses on the Disposal of Non-Current Assets	(22,359)
(20,457)	Total Other Operating Expenditure	(13,731)

Note 11 - Financing and Investment Income and Expenditure

2016/17		2017/18
£000		£000
2,544	Interest payable and similar charges	2,251
12,131	Net interest on the net defined benefit liability (asset)	10,220
(5,229)	Interest receivable and similar income	(4,435)
(3,434)	Income and expenditure in relation to investment properties and changes in their fair value	(2,915)
(754)	Other investment income and expenditure	(586)
5,258	Total	4,535

Note 12 - Taxation and Non-Specific Grant Income

2016/17		2017/18
£000		£000
(52,590)	Council Tax income	(55,728)
(30,533)	Non-domestic rates income and expenditure	(33,523)
(100,069)	Non-ringfenced government grants	(96,904)
(104,268)	Capital grants and contributions	(34,935)
(287,460)	Total	(221,090)

Note 13 - Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Renewals Fund	(28,941)	(1,250)	916	(29,275)	0	386	(28,889)
Specific Grant Reserve	(2,400)	0	1,400	(1,000)	0	0	(1,000)
Insurance Reserve	(7,053)	0	0	(7,053)	0	0	(7,053)
Finite Services Fund	(1,410)	0	0	(1,410)	0	0	(1,410)
Employer's Pensions Contributions Reserve	(39,500)	0	39,500	0	0	0	0
Enhanced Pension Fund	(5,137)	0	5,137	0	0	0	0
Pensions Resilience Reserve	0	(43,424)	0	(43,424)	0	0	(43,424)
Services Transformation Fund	(22,484)	0	5,000	(17,484)	0	1,870	(15,614)
Financial Resilience Reserve	(33,138)	(6,000)	6,800	(32,338)	(6,114)	1,200	(37,252)
Childrens Services Recovery Reserve	(14,500)	(5,568)	4,600	(15,468)	0	15,468	0
Business Rate Volatility Reserve	(6,446)	(3,503)	2,949	(7,000)	(1,072)	2,000	(6,072)
Education Balances	(24,947)	(15,728)	26,557	(14,118)	(17,007)	16,907	(14,218)
LPFA Deficit Funding Reserve	(6,667)	(852)	7,519	0	0	0	0
DSO Reserves	0	(6,505)	1,415	(5,090)	(5,369)	4,305	(6,154)
Other Reserves	(6,368)	(8)	5,950	(426)	(147)	439	(134)
Total General Fund	(198,991)	(82,838)	107,743	(174,086)	(29,710)	42,575	(161,221)

Note 14 - Property, Plant and Equipment

Movements to 31 March 2018

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2017	1,366,617	659,833	25,221	168,770	19,027	3,960	2,243,428
Additions	46,716	11,723	635	15,837	327	0	75,238
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(30,684)	137,060	0	0	0	0	106,376
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the Provision of Services	(30,913)	(6,851)	0	0	0	0	(37,764)
Derecognition – disposals	(3,791)	(90)	(2,748)	(50,685)	(6)	0	(57,319)
Reclassifications and transfer	0	3,960	(194)	0	0	(3,960)	(194)
at 31 March 2018	1,347,945	805,635	22,914	133,922	19,349	0	2,329,764
Accumulated Depreciation and Impairment							
at 1 April 2017	0	0	(20,000)	(93,234)	0	0	(113,234)
Depreciation charge	(20,176)	(11,331)	(1,265)	(6,010)	0	0	(38,782)
Depreciation written out to the Revaluation Reserve	15,073	10,712	0	0	0	0	25,785
Depreciation written out to the (surplus)/deficit on the Provision of Services	5,048	567	0	0	0	0	5,615
Derecognition – disposals	55	10	2,522	50,645	0	0	53,232
at 31 March 2018	0	(42)	(18,743)	(48,599)	0	0	(67,384)
Net Book Value							
at 31 March 2018	1,347,945	805,593	4,171	85,323	19,349	0	2,262,380
at 31 March 2017	1,366,617	659,833	5,221	75,536	19,027	3,960	2,130,194

Movements to 31 March 2017

	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or Valuation							
at 1 April 2016	1,333,554	624,270	33,601	158,123	19,027	3,651	2,172,226
Additions	41,517	34,222	1,170	10,647	0	0	87,556
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,720)	8,882	0	0	0	2,305	8,467
Revaluation increases/(decreases) recognised in the (surplus)/Deficit on the Provision of Services	(603)	(2,661)	0	0	0	0	(3,264)
Derecognition – disposals	(5,131)	(6,876)	0	0	0	0	(12,007)
Derecognition – other	0	0	(9,550)	0	0	0	(9,550)
Reclassifications and transfer	0	1,996	0	0	0	(1,996)	0
at 31 March 2017	1,366,617	659,833	25,221	168,770	19,027	3,960	2,243,428
Accumulated Depreciation and Impairment							
at 1 April 2016	0	(469)	(28,000)	(87,266)	0	0	(115,735)
Depreciation charge	(22,712)	(11,013)	(1,550)	(5,968)	0	0	(41,243)
Depreciation written out to the Revaluation Reserve	22,712	11,482	0	0	0	0	34,194
Derecognition – disposals	0	0	9,550	0	0	0	9,550
at 31 March 2017	0	0	(20,000)	(93,234)	0	0	(113,234)
Net Book Value							
at 31 March 2017	1,366,617	659,833	5,221	75,536	19,027	3,960	2,130,194
at 31 March 2016	1,333,554	623,801	5,601	70,857	19,027	3,651	2,056,491

Note 15 - Heritage Assets

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

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

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

The insurance listing constitutes a register of the assets and the assets are measured at valuation and are not subject to depreciation. The valuations are at retail replacement value for insurance purposes as at 6 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.

Note 16 - Inventories

	Consumable Stores Work in Progress				Total	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	287	577	1,807	530	2,094	1,107
Purchases	2,105	1,776	0	2,258	2,105	4,034
Recognised as an expense in the year	(1,815)	(1,903)	(1,277)	0	(3,092)	(1,903)
Balance Outstanding at Year End	577	450	530	2,788	1,107	3,238

Note 17 - Intangible Assets

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

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

New intangible assets were jointly acquired with LB Richmond in 2017/18 which totalled £0.2m for Wandsworth Council.

Note 18 - Investment Properties

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

31 March 2017		31 March 2018
£000		£000
Investment Property Income and Expenditure		
(3,858)	Rental income from investment property	(3,484)
112	Direct operating expenses from investment property	101
(3,746)	Net (gain)/loss	(3,383)

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

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

31 March 2017		31 March 2018
Non-Current		Non-Current
£000	Investment Properties Movements in Year	£000
34,906	Opening Balance	49,329
<i>Additions:</i>		
16,423	Purchases	9,956
0	Subsequent expenditure	49
(1,425)	Disposals	0
(575)	Net gains/(losses) from fair value adjustments	(468)
49,329	Balance at the end of the year	58,866

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

Note 19 - Financial Instruments

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

Financial Instruments

	Long-Term 31 March 2017 £000	Long-Term 31 March 2018 £000	Current 31 March 2017 £000	Current 31 March 2018 £000
Investments				
Loans and receivables	81,975	43,366	400,278	433,173
Available-for-sale financial assets	24,700	25,873	29,307	29,499
Total investments	106,675	69,239	429,585	462,672
Debtors				
Loans and receivables	9,702	910	0	0
Financial assets carried at contract amounts	0	0	46,998	65,147
Total included in Debtors	9,702	910	46,998	65,147
Borrowings				
Financial liabilities at amortised cost	(120,412)	(103,211)	(17,846)	(17,782)
Total included in Borrowings	(120,412)	(103,211)	(17,846)	(17,782)
Creditors				
Financial liabilities carried at contract amount	0	0	62,238	115,070
Total Creditors	0	0	62,238	115,070

Income, Expense, Gains and Losses

	2018		
	Financial Assets: Loans and receivables	Financial Assets: Available-for- sale assets	Total
	£000	£000	£000
Interest income	4,405	0	4,405
Gains on derecognition	0	30	30
Total income in (surplus) or deficit on the Provision of Services	4,405	30	4,435
Gains on revaluation	0	1,330	1,330
Losses on revaluation	0	(5)	(5)
Net (gain)/loss for the year	4,405	1,355	5,760

	2017		
	Financial Assets: Loans and receivables	Financial Assets: Available-for- sale assets	Total
	£000	£000	£000
Interest income	5,229	0	5,229
Total income in (surplus) or deficit on the Provision of Services	5,229	0	5,229
Gains on revaluation	0	363	363
Losses on revaluation	0	(392)	(392)
Net (gain)/loss for the year	5,229	(29)	5,200

Available for sale assets are measured at fair value. All other financial instruments are measured at amortized cost. The PWLB loan outstanding (£120.4m) has a fair value of £124.4 million at 31 March 2018. For all other assets and liabilities the fair value is not materially different to the amortized cost carrying amount.

Note 20 - 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 as at 31 March was as follows:

- (a) up to £50.0m 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 £30.0m is placed for periods longer than 6 months
- (b) up to £100.0m with other UK local authorities or precepting authorities
- (c) up to £20.0m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, AA- Long-Term, and a Short-Term watch that is negative (or equivalent under Moody's or Standard and Poor's)
- (d) up to £20.0m with UK or non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, A Long-Term, and a Short-Term watch that is not negative (or equivalent under Moody's or Standard and Poor's)
- (e) up to £10m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ Short-Term, A Long-Term, and a Short-Term watch that is negative (or equivalent under Moody's or Standard and Poor's)
- (f) up to £10.0m with UK or non-UK institutions with a Fitch credit rating of at least F1 Short-Term, A Long-Term, and a Short-Term watch that is not negative (or equivalent under Moody's or Standard and Poor's)

- (g) up to £5.0m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1 Short-Term, A+ Long-Term, and a Short-Term watch that is negative (or equivalent under Moody's or Standard and Poor's)
- (h) up to £10.0m with UK or non-UK institutions for a maximum of 3 months where 2 out of 3 credit rating agencies have a Fitch credit rating of at least F1 Short-Term, A Long-Term, and a Short-Term watch that is not negative (or equivalent under Moody's or Standard and Poor's); and
- (i) up to £50.0m with Royal Bank of Scotland/Nat West PLC overnight only.

Money Market Funds

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

- (a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Senior Management Team 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 £25.0m may be placed in a property fund that is set up under a scheme approved by HM Treasury.

Covered Bonds

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

Joint Venture Loans

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

Loans to Staff Mutuals, other Service Providers and Voluntary Organisations

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

Longer Term Investments

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

Other counterparty debtors

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

Liquidity Risk

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

Liquidity Risk	31 March 2017 31 March 2018	
	£000	£000
Less than 1 year	17,202	17,202
Between 1 and 2 years	17,202	17,202
Between 2 and 5 years	51,605	51,605
More than 5 Years	51,605	34,404
More than 10 years	0	0
	<u>137,614</u>	<u>120,413</u>

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

Interest rate risk

The Council borrowed £223.6m at a fixed rate of 1.69% from the PWLB on 28 March 2012 towards the cost of the HRA subsidy system buy out. Since then the Council has had no new borrowing requirement and is not currently expected to do so. Movements in interest rates are therefore not deemed to materially affect borrowings. The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest receivable on variable rate investments will be posted to the CIES and 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.

Note 21 - Capital Commitments

The Council has authorised expenditure in future years of £332.4m under its capital programme. The significant contractual commitment totals £15.2m for 2018/19 and future years, where significant is defined as over £0.5m for each scheme.

The individual contractually committed schemes are:

Capital Scheme	£000
Castlemaine Tower Replacement	6,020
Western Area – Replacement of Domestic Boilers	1,856
Surrey Lane Lift Refurbishment	1,678
Patmore Estate Roofing phase 1	1,136
Hyacinth Estate Heating phase 2	1,000
Gaskarth Road – New Build Construction Work	910
Patmore Estate Roofing phase 2	900
Bridge House (Children Looked after Placements)	599
Doddington estate Relifting	552
Paddock School (Greenmead/Ronald Ross)	510
Total	15,161

Note 22 - Debtors

31 March 2017		31 March 2018
£000		£000
11,531	Central Government Bodies	28,644
8,307	Other Local Authorities	14,850
906	NHS Bodies	6,332
109,745	Other Entities and Individuals	92,442
130,489	Total Debtors	142,268

Note 23 - Cash and Cash Equivalents

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

31 March 2017		31 March 2018
£000		£000
(5,540)	Cash and Bank balances	3,554
55,748	Short Term Deposits	36,923
50,208	Total Cash and Cash Equivalents	40,477

Note 24 - Assets Held for Sale

Current	Current
31 March 2017	31 March 2018
£000	£000
12,649 Balance outstanding at start of year	12,507
(142) Assets sold	(495)
12,507 Balance Outstanding year end	12,012

Note 25 - Creditors

31 March 2017	31 March 2018
£000	£000
(20,430) Central Government Bodies	(28,918)
(21,097) Other Local Authorities	(30,030)
(2,909) NHS Bodies	(222)
(125,841) Other Entities and Individuals	(145,524)
(170,277) Total Creditors	(204,694)

The 2016/17 creditors figures have been represented in line with requirements set out in the Code which ask for one subjective list, rather than splitting that subjective list additional between Creditors and Receipts in Advance.

Note 26 - Provisions

Total Provisions

2016/17	Total Provisions	2017/18
£000		£000
(24,322)	Opening Balance	(21,008)
(11,563)	Increase in provision during year	(7,219)
14,877	Utilised during year	7,763
0	Unused Amounts Reversed	1,999
0	Other movements	4,152
(21,008)	Closing Balance	(14,313)

Current Provisions

2017/18	Insurance Fund	Tree Root Claims	Accumulating Absences	Business Rates Provision for Appeals	Thames Water Charges	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(2,185)	(323)	(4,152)	(1,050)	(875)	(3,083)	(11,668)
Increase in provision during year	(5,291)	(253)	0	(229)	0	(110)	(5,883)
Utilised during year	5,031	234	0	915	0	1,514	7,694
Unused Amounts Reversed	0	0	0	0	875	1,123	1,998
Other movements	0	0	4,152	(1,049)	0	0	3,103
Closing Balance	(2,445)	(342)	0	(1,413)	0	(556)	(4,756)

2016/17	Insurance Fund	Tree Root Claims	Accumulating Absences	Business Rates Provision for Appeals	Thames Water Charges	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(2,625)	(331)	(4,097)	(880)	(5,900)	(1,944)	(15,777)
Increase in provision during year	(3,519)	(172)	(4,152)	(431)	(325)	(1,653)	(10,252)
Utilised during year	3,959	180	4,097	703	5,350	515	14,804
Other movements	0	0	0	(442)	0	(1)	(443)
Closing Balance	(2,185)	(323)	(4,152)	(1,050)	(875)	(3,083)	(11,668)

Long Term Provisions

2017/18	Insurance Fund	Tree Root Claims	Accumulating Absences	Business Rates Provision for Appeals	Thames Water Charges	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(5,237)	(2,903)	0	(1,049)	0	(151)	(9,340)
Increase in provision during year	(1,161)	(176)	0	0	0	0	(1,336)
Utilised during year	0	0	0	0	0	70	70
Other movements	0	0	0	1,049	0	0	1,049
Closing Balance	(6,398)	(3,079)	0	0	0	(81)	(9,557)

2016/17	Insurance Fund	Tree Root Claims	Accumulating Absences	Business Rates Provision for Appeals	Thames Water Charges	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(3,926)	(2,976)	0	(1,491)	0	(152)	(8,545)
Increase in provision during year	(1,311)	0	0	0	0	0	(1,311)
Utilised during year	0	73	0	0	0	0	73
Other movements	0	0	0	442	0	1	443
Closing Balance	(5,237)	(2,903)	0	(1,049)	0	(151)	(9,340)

Notes to the Provisions

The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £0.5m and property claims up to £50k of each loss. The level of provision is mainly based on advice from the Council's insurer Notes to the Provisions

The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.

- The Council provides for claims resulting from damage caused by council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.
- As detailed in Note 1, there has been a change in accounting policy for accumulated absences with this provision now being reclassified as a Short-Term creditor.
- The Council has made a provision for appeals lodged by Business Rate payers with the VOA regarding the rateable value of properties, which have yet to be determined.
- Following a legal challenge against the LB Southwark regarding the charging for the provision of water and sewerage services to its tenants, Wandsworth Council, following its own legal advice made refunds to tenants charged incorrectly. The last of these refunds were processed during the financial year 2017/18, so no provision remained at the end of the financial year.

Note 27 - Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement

Capital Receipts Reserve

31 March 2017	31 March 2018
£000	£000
(54,868) Balance 1 April	(50,846)
(45,273) Capital Receipts in year	(26,940)
(6,114) Deferred Receipts realised	(8,659)
2,730 Capital Receipts Pooled	3,119
94 Transfer to revenue reserves to cover disposal costs	80
48,813 Capital Receipts used for financing	46,496
3,772 Other movements	(227)
(50,846) Balance 31 March	(36,978)

Major Repairs Reserve

31 March 2017	31 March 2018
£000	£000
(170,170) Balance 1 April	(190,995)
(23,862) Depreciation and Amortisation	(20,757)
3,037 Application to finance capital expenditure	11,495
(190,995) Balance 31 March	(200,257)

Capital Grants Unapplied

31 March 2017	31 March 2018
£000	£000
(51,978) Balance 1 April	(104,120)
(104,268) Capital grants recognised in year	(34,935)
52,126 Capital grants and contributions applied	28,408
(104,120) Balance 31 March	(110,647)

Note 28 - Unusable Reserves

31 March 2017	31 March 2018
£000	£000
(505,203) Revaluation Reserve	(625,432)
(522) Available for Sale Financial Instruments Reserve	(1,847)
385,711 Pension Reserve	328,301
(1,343,043) Capital Adjustment Account	(1,395,681)
(17,338) Deferred Capital Receipts Reserve	(8,679)
162 Collection Fund Adjustment Account	(946)
4,152 Accumulated Absences Account	4,421
(1,476,081) Total	(1,699,863)

Revaluation Reserve

31 March 2017	31 March 2018
£000	£000
(473,010) Balance 1 April	(505,203)
(64,575) Upward revaluation of assets	(179,863)
21,914 Downward revaluation of assets and impairment losses not charged to the (surplus) or deficit on the Provision of Services	47,700
(42,661) (Surplus) or deficit on revaluation of non-current assets not charged to the (surplus) or deficit on the Provision of Services	(132,163)
7,889 Difference between fair value depreciation and historical cost depreciation	8,060
2,579 Accumulated gains on assets sold or scrapped	1,025
0 Other	2,849
10,468 Amount written off to the Capital Adjustment Account	11,934
(505,203) Balance 31 March	(625,432)

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 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

Available for Sale Financial Instruments Reserve

31 March 2017	31 March 2018
£000	£000
(551) Balance 1 April	(522)
(369) Upward revaluation of investments	(1,360)
393 Downward revaluation of investments not charged to the (surplus) or deficit on the Provision of Services	5
5 Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	30
(522) Balance 31 March	(1,847)

The Available for Sale Financial Instruments Reserve contains the gains made by the authority 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, and disposed of and the gains are realised.

Pension Reserve

31 March 2017	31 March 2018
£000	£000
315,118 Balance 1 April	385,711
(77,128) Remeasurements of the net defined benefit (liability)/asset	(92,691)
169,343 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	59,336
(21,622) Employer's pensions contributions and direct payments to pensioners payable in the year	(24,055)
385,711 Balance 31 March	328,301

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 authority Accounts for post-employment benefits in the CIES 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 authority 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.

Capital Adjustment Account

31 March 2017 £000	31 March 2018 £000
(1,276,728) Balance 1 April	(1,343,043)
41,243 Charges for depreciation and impairment of non-current assets	33,818
3,264 Revaluation losses on non-current assets	37,114
33 Amortisation of intangible assets	12
27,461 Revenue expenditure funded from capital under statute	17,118
13,574 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	4,594
85,576 Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	92,656
(10,467) Adjusting Amounts written out of the Revaluation Reserve	(11,934)
75,107 Net written out amount of the cost of non-current assets consumed in the year	80,722
(48,813) Use of Capital Receipts Reserve to finance new capital expenditure	(46,496)
(3,037) Use of Major Repairs Reserve to finance new capital expenditure	(11,495)
(52,126) Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(28,408)
(121) Capital expenditure charged against the General Fund and HRA balances	0
0 Repayment of Long Term Debtors	215
(104,097) Capital financing applied in year:	(86,184)
(37,900) Borrowing or liabilities met from the HRA	(47,644)
575 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	468
(1,343,043) Balance 31 March	(1,395,681)

The CAA 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs. 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 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Deferred Capital Receipts Reserve

31 March 2017 £000	31 March 2018 £000
(23,452) Balance 1 April	(17,338)
6,114 Transfer to the Capital Receipts Reserve upon receipt of cash	8,659
(17,338) Balance 31 March	(8,679)

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 CRR.

Collection Fund Adjustment Account

31 March 2017 £000	31 March 2018 £000
1,432 Balance 1 April	162
(1,270) Amount by which Council Tax and non-domestic rates income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,108)
162 Balance 31 March	(946)

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

Accumulated Absences Account

31 March 2017 £000	31 March 2018 £000
4,097 Balance 1 April	4,152
(4,097) Settlement or cancellation of accrual made at the end of the preceding year	(4,152)
4,152 Amounts accrued at the end of the current year	4,421
55 Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	269
4,152 Balance 31 March	4,421

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 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

Note 29 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2017		31 March 2018
£000		£000
(7,202)	Interest received	(4,452)
2,547	Interest paid	2,254
(4,655)	Total	(2,198)

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

31 March 2017		31 March 2018
£000		£000
(41,242)	Depreciation	(38,783)
(3,264)	Impairment and downward valuations	(32,149)
(33)	Amortisation	(12)
6,886	(Increase)/decrease in creditors	(36,872)
41,813	Increase/(decrease) in debtors	11,752
(987)	Increase/(decrease) in inventories	2,131
(147,721)	Movement in pension liability	(35,281)
(13,574)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,594)
3,680	Other non-cash movements charged to the (surplus) or deficit on provision of services	6,417
(154,442)	Total	(127,391)

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

31 March 2017		31 March 2018
£000		£000
	0 Proceeds from Short-Term (not considered to be cash equivalents) and Long-Term investments (includes investments in associates, joint ventures and subsidiaries)	0
45,538	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	26,941
104,269	Any other items for which the cash effects are investing or financing cash flows	34,935
149,807	Total	61,876

Note 30 - Cash Flow from Financing Activities

31 March 2017 £000	31 March 2018 £000
(410) Cash receipts of Short-Term and Long-Term borrowing	0
17,762 Repayments of Short-Term and Long-Term borrowing	17,262
(1,305) Other payments for financing activities	(2,554)
16,047 Net cash flows from financing activities	14,708

Note 31 - Cash Flow from Investing Activities

31 March 2017 £000	31 March 2018 £000
108,753 Purchase of property, plant and equipment, investment property and intangible assets	90,206
425,349 Purchase of Short-Term and Long-Term investments	402,750
214 Other payments for investing activities	112
(51,690) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(35,590)
(405,000) Proceeds from Short-Term and Long-Term investments	(372,259)
(103,998) Other receipts from investing activities	(40,987)
(26,372) Net cash flows from investing activities	44,232

Note 32 - Acquired and Discontinued Operations

None to report

Note 33 - Trading Operations

2016/17	Building Maintenance	2017/18
£000		£000
(7,049)	Income	(9,862)
6,862	Expenditure	10,006
(187)	Net (surplus) / deficit for Year	144

2016/17	Transport Operations	2017/18
£000		£000
(3,482)	Income	(2,062)
3,422	Expenditure	2,131
(60)	Net (surplus) / deficit for Year	69

2016/17	Engineering Services	2017/18
£000		£000
(6,034)	Income	(5,737)
5,684	Expenditure	5,016
(350)	Net (surplus) / deficit for Year	(721)

2016/17	Building Control	2017/18
£000		£000
(1,127)	Income	(974)
1,267	Expenditure	1,221
140	Net (surplus) / deficit for Year	247

2016/17	Design Service	2017/18
£000		£000
(2,916)	Income	(2,597)
2,821	Expenditure	2,282
(95)	Net (surplus) / deficit for Year	(315)

2016/17	Street Trading	2017/18
£000		£000
(232)	Income	(245)
170	Expenditure	241
(62)	Net (surplus) / deficit for Year	(4)

2016/17	Land Charges	2017/18
£000		£000
(429)	Income	(484)
504	Expenditure	477
75	Net (surplus) / deficit for Year	(7)

2016/17	Trading Operations Total Income and Expenditure:	2017/18
£000		£000
(21,269)	Income	(21,961)
20,730	Expenditure	21,374
(539)	Net (surplus) / deficit for Year	(587)

During the year, trading Accounts incurred a net surplus of £0.6m (£0.5m surplus in 2016/17).

- 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.
- 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 Education and Children’s Services, and Adult Care and Health, while minimising downtime on employees and vehicles.
- 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.
- The land charges trading account was established on 1 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 3 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.

Note 34 - Agency Services

The Council carries out income collection services on behalf of Thames Water regarding the charging for the provision of water and sewerage services to its tenants. The commission received for this arrangement for 2017/18 was £1.0m. This agency arrangement was formalised from the 24 January 2017, the part-year commission received for 2016/17 was £0.2m.

Note 35 - Pooled Budgets

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

The Council has 2 pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2018. These are:

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

The BCF was established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the national conditions and local objectives, shifting the focus of care from hospital to community provision. As a result, the Council entered into a S75 agreement in 2015/16 with Wandsworth CCG to establish a pooled fund and this incorporates the existing pooled budget arrangements created in 2014/15. The fund is now being invested in a number of established and new local schemes to support all areas to implement the high impact change model for managing transfer of care. In addition, Wandsworth Council, received additional funding for Improved Better Care Fund (iBCF). This was for meeting adult social care needs; reducing pressures on the NHS, by improving the delay in discharges from hospital to care; and ensuring the local social care provider market is supported.

2016/17 £000	Better Care Fund	2017/18 £000
(7,079) Authority Funding		(15,524)
(13,267) Partner Funding		(13,262)
(20,346) Total Pooled Funding		(28,786)
7,079 Authority Expenditure		15,524
13,269 Partner Expenditure		13,262
20,348 Expenditure		28,786
2 Net (surplus)/deficit on the Pooled Budget		0
0 Authority Share of the Net (surplus) / deficit		0

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

This scheme was established on 1 April 2005 to create an integrated service for the provision of community based equipment for people with disabilities. Following a reorganisation of health provision in October 2017 the scheme expanded to include CLCH as well at Wandsworth Council and St Georges. The net surplus of £0.3m (£0.1m in 2016/17) was the result of significant expenditure being charged to the Disabled Facilities Grant and is all attributable to the Council. The Council wrote back its surplus to the General Fund and all expenditure incurred by St Georges and CLCH was recovered in full.

2016/17	Joint Integrated Community Equipment Service	2017/18
£000		£000
(958)	Authority Funding	(994)
(1,106)	Partner Funding	(1,145)
(2,064)	Total Pooled Funding	(2,139)
835	Authority Expenditure	717
1,106	Partner Expenditure	1,145
1,941	Expenditure	1,862
(123)	Net (surplus)/deficit on the Pooled Budget	(277)
0	Authority Share of the Net (surplus) / deficit	(277)

Note 36 - Members' Allowances

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

31 March 2017	31 March 2018
£'000	£'000
1,025	1,038
1,025	1,038
Total Members' Allowances	Total Members' Allowances

Note 37 - Officers' Remuneration

The Council entered into a Shared Staffing Arrangement (SSA) with LB Richmond effective from 1 October 2016. The tables below set out the remuneration disclosures for senior officers whose salary is £50,000 or more per year, an analysis of exit packages paid during the year, and those senior officers whose total remuneration exceeded £150,000 are named. All tables detailed below represent Wandsworth's proportion of salary costs only with the remaining balance being charged to LB Richmond.

<u>2017/18</u>	Note	Salary (including fees and allowances)	Bonuses	Other Taxable Benefits	Compensation for loss of office	Remuneration excluding pension contributions 2017/18	Employers pension contribution	Remuneration including pension contributions 2017/18
<u>Post Holder</u>								
Chief Executive - P. Martin	1	147,448	9,874	0	0	157,322	28,406	185,728
Director of Children's Services - D. Warwick	2	175,142	9,274	0	0	184,416	33,255	217,671
Borough Solicitor and Assistant Director of Administration - M. Walker	3	38,000	14,066	0	0	52,066	9,516	61,582
Director of Housing and Regeneration - B. Reilly	4	107,689	4,410	0	0	112,099	20,262	132,361
Deputy Director of Children's Services - J. Johnson	5	148,413	7,347	0	0	155,760	28,183	183,943
Deputy Director of Environment and Community Services	7	87,515	5,840	0	0	93,355	16,835	110,190
Head of ICT	8	81,647	4,302	0	0	85,949	15,561	101,510
Assistant Director (Operations)	9	72,861	3,707	0	0	76,568	13,835	90,403
Director of Public Health	10	72,905	3,861	0	0	76,766	11,824	88,590
Assistant Chief Executive (Policy and Performance)	11	58,426	3,781	0	0	62,207	11,254	73,461
Director of Resources and Deputy Chief Executive - M. Maidment	12	105,226	3,564	0	0	108,790	19,582	128,372
Director of Environment and Community Services - P. Chadwick	13	96,018	3,252	0	0	99,270	17,869	117,139
Assistant Chief Executive (Customer and Partnerships)	14	57,267	2,482	0	0	59,749	10,755	70,504
Director of Adult Social Services	15	109,637	0	0	0	109,637	0	109,637

2016/17		Salary (including fees and allowances)	Bonuses	Other Taxable Benefits	Compensation for loss of office	Remuneration excluding pension contributions 2016/17	Employers pension contribution	Remuneration including pension contributions 2016/17
Post Holder								
Chief Executive - P. Martin	1	191,420	15,336	2,366		209,122	37,856	246,978
Director of Children's Services - D. Warwick	2	179,759	5,040	1,024		185,823	33,512	219,335
Borough Solicitor and Assistant Director of Administration - M. Walker	3	151,247	9,149	3,210		163,606	31,085	194,691
Director of Housing and Regeneration - B. Reilly	4	141,872	13,151	2,280		157,303	28,014	185,317
Deputy Director of Children's Services - J. Johnson	5	144,369	4,906	2,449		151,724	27,032	178,756
Head of Office Premises Management Services - J. Dutton	6	82,788	3,835		72,175	158,798	15,975	174,773
Deputy Director of Environment and Community Services	7	116,992	9,142	852		126,986	22,302	149,288
Head of ICT	8	113,186	8,622	2,459		124,267	21,730	145,997
Assistant Director (Operations)	9	104,943	6,982	1,499		113,424	19,712	133,136
Director of Public Health	10	101,165	5,754	1,259		108,178	14,206	122,384
Assistant Chief Executive (Policy and Performance)	11	78,576	5,564	1,558		85,698	14,434	100,132
Director of Resources and Deputy Chief Executive - M. Maidment	12	50,904				50,904	9,672	60,576
Director of Environment and Community Services - P. Chadwick	13	46,450				46,450	8,825	55,275
Assistant Chief Executive (Customer and Partnerships)	14	35,442				35,442	6,734	42,176
Director of Finance and Deputy Chief Executive - C. Buss	16	167,641	12,247	3,062		182,950	1,193	184,143
Assistant Director (Revenue Services) - K. Legg	17	54,052	11,351		92,760	158,163	12,427	170,590
Assistant Director (Corporate Finance) - M. Hall	18	59,258	10,027	1,500	83,084	153,869	13,340	167,209

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.

The annual remuneration includes pension contributions at 18% of officer's basic salary and are included in the table above.

Expenses allowances in 2016/17 include a one-off compensation payment for the withdrawal of the offer of Private Medical Insurance to some officers.

Notes:

Note 1 – Chief Executive: total remuneration across the SSA in 2017/18 of £294,805

Notes 2 & 5 – The Director and Deputy Director of Children’s Services, although part of the SSA, cover Wandsworth only, therefore are paid 100% by Wandsworth

Note 3 – The Borough Solicitor and Assistant Director of Administration’s remuneration includes an annual amount of £3,254 (£5,743 in 2016/17) in respect of his role on the Western Riverside Waste Authority. The post holder left the Council in July 2017

Note 4 - Director of Housing and Regeneration: total remuneration across the SSA in 2017/18 of £210,097

Note 6 – The former Head of Office Premises Management Services left the Council on 2 April 2017

Note 7 – Deputy Director of Environment and Community Services: total remuneration across the SSA in 2017/18 of £174,905

Note 8 – Head of ICT: total remuneration across the SSA in 2017/18 of £163,726

Note 9 – Assistant Director (Operations): total remuneration across the SSA in 2017/18 of £150,671

Note 10 – Director of Public Health: total remuneration across the SSA in 2017/18 of £140,618

Note 11 – Assistant Chief Executive (Policy and Performance): total remuneration across the SSA in 2017/18 of £116,606

Note 12 – Director of Resources and Deputy Chief Executive: total remuneration across the SSA in 2017/18 of £203,765

Note 13 – Director of Environment and Community Services: total remuneration across the SSA in 2017/18 of £185,935

Note 14 – Assistant Chief Executive (Customer and Partnerships): total remuneration across the SSA in 2017/18 of £145,402 of which £33,942 was funded by Croydon Council to reflect the post holder’s temporary part time secondment to the post of Corporate Programme Director at Croydon

Note 15 – Director of Adult Social Services started at the Council on 3 April 2017. Total remuneration across the SSA in 2017/18 of £174,028

Note 16 –The former Director of Finance and Deputy Chief Executive left the Council on 2 April 2017

Note 17 – The former Assistant Director (Revenue Services) left the Council on 30 September 2016

Note 18 – The former Assistant Director (Corporate Finance) left the Council on 20 November 2016

A number of officers with a salary greater than £50,000 employed by the SSA are excluded from the table below as Wandsworth's share of the costs are below £50,000. The numbers have decreased in 2017/18 as this is a full year of SSA and sharing of costs.

Remuneration Band	Number of Officers	Number of Teachers	Number of Officers	Number of Teachers
	2017/18	2017/18	2016/17	2016/17
£50,000 - £54,999	59	109	64	129
£55,000 - £59,999	34	57	51	62
£60,000 - £64,999	16	31	23	31
£65,000 - £69,999	9	17	19	17
£70,000 - £74,999	18	17	18	13
£75,000 - £79,999	9	15	7	15
£80,000 - £84,999	7	10	13	11
£85,000 - £89,999	3	6	7	7
£90,000 - £94,999	4	4	4	3
£95,000 - £99,999	1	3	5	1
£100,000 - £104,999	0	1	4	3
£105,000 - £109,999	3	0	3	2
£110,000 - £114,999	3	0	5	0
£115,000 - £119,999	1	1	2	2
£120,000 - £124,999	0	0	3	0
£125,000 - £129,999	0	0	1	0
£130,000 - £134,999	0	0	1	1
£140,000 - £144,999	0	0	1	0
£150,000 - £154,999	0	0	2	0
£155,000 - £159,999	2	0	3	0
£160,000 - £164,999	0	0	1	0
£180,000 - £184,999	1	0	1	0
£185,000 - £189,999	0	0	1	0
£205,000 - £209,999	0	0	1	0
Total	170	271	240	297

Exit packages		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
		2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
		No'	No'	No'	No'	No'	No'	£000	£000
£0 - £20,000	Council officers	5	20	9	29	14	49	143	432
	Schools	6	3	4	17	10	20	91	158
£20,001 - £40,000	Council officers	1	14	1	29	2	43	59	1,225
	Schools	0	0	0	2	0	2	0	63
£40,001 - £60,000	Council officers	2	2	2	7	4	9	195	434
	Schools	1	0	0	1	1	1	59	56
£60,001 - £80,000	Council officers	0	3	0	5	0	8	0	546
	Schools	0	0	0	0	0	0	0	0
£80,001 - £100,000	Council officers	1	1	1	1	2	2	183	176
	Schools	0	0	0	0	0	0	0	0
£100,000 - 150,000	Council officers	0	0	1	1	1	1	135	105
	Schools	0	0	0	0	0	0	0	0
Above £150,000	Council Officers	0	0	1	0	1	0	151	0
	Schools								
Other (see note below)								601	
Total		16	43	19	92	35	135	1,617	3,195

The total cost of £1.6m for 2017/18 (£3.2 million for 2016/17) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year. Included in this figure is £0.6m that relates to actual costs for exit packages that were higher than the estimated provision. The high figure of exit packages and associated costs in 2016/17 was due to the commencement of the SSA with LB Richmond.

Note 38 - 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.

2016/17	2017/18
£000	£000
133 Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	124
26 Fees payable in respect of other services provided by external auditors during the year	27
159 Total	151

Note 39 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2017/18 are:

Notes	DSG Receivable for 2017/18	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			222,780
B	Academy figure recouped for year			(64,245)
C	Total DSG after academy recoupment			158,535
D	Plus: Brought forward from previous year			(28)
F	Agreed initial budgeted distribution in year	34,529	123,978	158,507
G	In year adjustments	(2,976)	0	(2,976)
H	Final budget distribution for year	31,553	123,978	155,531
I	Less: Actual central expenditure	(32,605)		(32,605)
J	Less: Actual ISB deployed to schools		(123,978)	(123,978)
L	Carry forward to 2018/19	(1,052)	0	(1,052)

Note 40 - Grant Income

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

31 March 2017 £000	31 March 2018 £000
(46,957) Revenue Support Grant	(37,014)
(17,091) Non Specific Revenue Grants	(25,353)
(36,021) National Non-Domestic Rates Top Up Grant	(34,538)
(22,344) Capital Grants and Contributions (Housing Revenue Account)	(5,716)
(81,924) Capital Grants and Contributions (General Fund)	(29,218)
(204,337) Total	(131,839)

Credited to Services

31 March 2017 £000	31 March 2018 £000
(151,251) Dedicated Schools Grant	(155,559)
(117,206) Rent Allowance Subsidy	(111,856)
(70,978) Rent Rebate Subsidy	(67,271)
(28,757) Public Health Grant	(28,047)
0 S106 Contributions	(10,755)
(8,161) Non-HRA Rent Rebate Subsidy	(8,577)
(8,324) Pupil Premium	(7,756)
0 Better Care Fund	(7,079)
0 CIL Contributions	(4,800)
0 Health Authority Contributions	(4,576)
(3,967) 6th Form Funding	(3,631)
(2,475) Universal Infant Free School Meals Grant	(2,488)
(1,697) Housing Benefit Admin Subsidy	(1,426)
0 Adult Social Care Support Funding	(1,303)
(586) Troubled Families Grant	(1,032)
(1,012) DHP Subsidy	(991)
(1,866) Adult Education Funding	(39)
(5,302) Other Government Grants and Contributions under £1m	(10,996)
0 Non-Government Grants & Contributions under £1m	(3,598)
(401,582) Total	(431,780)

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

31 March 2017 £000	31 March 2018 £000
(351) Devolved (Formula Capital for Schools)	(1,618)
(1,639) Free Schools	(6,047)
(1,211) Other	(1,343)
(3,201) Total	(9,008)

Note 41 - 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 in respect of related party transactions by the Members of Wandsworth Council and the senior officers employed by the SSA.

There are no declarable material related party transactions with senior 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, it 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.

North East Surrey Crematorium Board

The Board was composed of 10 councillors of 3 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 J. Stevenson (former Financial Controller, left December 2017) was Treasurer to the Board between April and December 2017; Mr M. Davies (Financial Controller) was Treasurer to the Board between December 2017 and March 2018. Mr P. Guillioti (Assistant Director of Resources – Financial Services) was Auditor to the Board. The Board had regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf. At the year end the Council had a £0.6m 7-day notice loan outstanding from the Board.

Western Riverside Waste Authority (WRWA)

WRWA is composed of 8 members from 4 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. Ms K. Burston (Financial Controller) was Deputy Treasurer to the Authority. Mr P. Guillioti was Head of Audit to the Authority. Mr M. Walker (former Borough Solicitor until July 2017) was Clerk to the Authority. During the year there were refuse disposal charges of £10.9m and levy payments of £2.1m and non-domestic waste charges of £60k to the WRWA.

Pension Fund

Councillor Mr P. Carpenter was a member of the Pensions Committee. The Council charged the Pension Fund £0.7m for expenses incurred in administering the Fund in 2017/18.

Wandsworth BC Trading Ltd

This company is a wholly owned Local Authority Trading Company with the Council as the sole shareholder. The Board comprised of Councillor Mr G. Senior, Mr M. Maidment (Director of Resources and Deputy Chief Executive), and Mr K. Power (Deputy Director of Environment and Community Services) as Directors of the company. During the year, the Council provided services totalling £0.4m to the company.

London Councils

London Councils is formed largely of members from the London Borough councils. Councillor Mr R. Govinida represented the Council on the Leader's Committee and Councillor Mrs C. Usher represented the Council on the Transport and Environment Committee. Councillor Mr G. Senior was a committee member for the Greater London Employment Forum. Councillor M. Heaster was a committee member for the Pensions CIV Sectoral Joint Committee. During the year, subscriptions totalling £0.1m were paid by the Council.

London Councils Grants Committee

Councillor Mr P. Ellis was a Council appointed representative for the London Councils Grants Committee, during the year payments totalling £0.3m were paid to the committee.

One Trust Limited

One Trust provides day care services to Wandsworth Council. Councillors Mr I. Lewer was a Director of One Trust and Councillor Mrs C. Clay was a Trustee. During the year, the Council made payments for services of £1.7m to One Trust. The Council charged One Trust £0.3m for service provision and interest payments.

Enable Leisure and Culture

Enable Leisure and Culture provide leisure and cultural services for the Council. Councillor G. Humphries was a Trustee. During the year, the Council received a concession for services of £0.6m from Enable Leisure and Culture.

Greater London Authority (GLA)

The GLA has responsibility for TfL, London Development Agency, Metropolitan Police Authority and the London Fire and Emergency Planning Authority (LFEPA). Councillor Ms. L Cooper was a member of the GLA. Councillors Ms L. Cooper and Mr M. Heaster were members of LFEPA. Collection Fund payments were made to the GLA of £78.8m. £17k was paid to the LFEPA for contributions and services during the year. Transport for London owed the Council £2.3m for grant and reimbursement income in 2017/18.

Members and Officers

Members of the Council have direct influence over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 35. During the year, works and services to the value of £2.0m were commissioned for companies, voluntary and similar organisations in which 6 Members and 2 Officers declared an interest. Contracts were entered into in full compliance with the Council's standing orders.

Note 42 - Capital Expenditure and Capital Financing

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

31 March 2017 £000	31 March 2018 £000
357,072 Opening Capital Financing Requirement	346,362
<u>Capital Investment:</u>	
87,556 Property Plant and Equipment	75,238
16,423 Investment Property	10,004
27,675 Revenue Expenditure Funded from Capital Under Statute	17,395
131,654 Total Capital Spending	102,637
<u>Sources of Finance:</u>	
(49,179) Capital receipts	(46,496)
(52,127) Government Grants and other contributions	(28,408)
(3,037) Major repairs reserve	(11,495)
<u>Sums set aside from revenue:</u>	
(121) - Direct revenue contributions	0
(37,900) - Borrowing or liabilities met from the HRA	(47,644)
(142,364) Total Sources of Finance	(134,043)
346,362 Closing Capital Financing Requirement	314,956

Note 43 – Leases

Authority as Lessee - Operating Leases

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

31 March 2017		31 March 2018
£'000		£'000
3,084	Not later than 1 year	3,642
290	Later than 1 year and not later than 5 years	258
462	Later than 5 years	376
3,836	Total	4,276

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

31 March 2017		31 March 2018
£'000		£'000
4,653	Minimum lease payments	6,842
4,653	Total	6,842

Authority as Lessor - Operating Leases

Assets valued at £79.5m (£65.9m in 2016/17) are held for use in operating leases, for which rent of £5.9m was receivable during 2017/18 (£5.2m in 2016/17). These assets are mostly investment properties which are not subject to depreciation.

Note 44 - Pension Schemes Accounted for as Defined Contribution Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards 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 4 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 2017/18, the Council paid £8.4m (£8.7m in 2016/17) to Teachers' Pensions in respect of teachers' retirement benefits. The contributions due to be paid in the next financial year are estimated to be £8.3m.

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 2017/18, the Council paid £0.1m (£0.1m in 2016/17) to NHS Pensions in respect of members retirement benefits. The contributions due to be paid in the next financial year are estimated to be £0.1m.

Note 45 - Defined Benefit Pension Scheme

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

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

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

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

General Fund Transactions

Comprehensive Income and Expenditure Statement - Cost of Services

2016/17			2017/18		
Council	LPFA	Total	Council	LPFA	Total
£000	£000	£000	£000	£000	£000
<u>Service cost comprising:</u>					
33,361	349	33,710	46,229	403	46,632
Current service cost					
1,912	68	1,980	2,572	91	2,663
Past service cost					
(56,429)	0	(56,429)	(893)	0	(893)
(Gain) / loss from settlements					
495	66	561	638	76	714
Administration expenses					
<u>Financing and Investment Income and Expenditure</u>					
11,806	325	12,131	10,057	163	10,220
Net interest expense					
(8,855)	808	(8,047)	58,603	733	59,336
Total charged to (surplus) and deficit on Provision of Services					

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

2016/17			2017/18		
Council	LPFA	Total	Council	LPFA	Total
£000	£000	£000	£000	£000	£000
<u>Re-measurement of the net defined benefit liability comprising:</u>					
(219,257)	(8,531)	(227,788)	(20,874)	(1,882)	(22,756)
Return on plan assets (excluding the amount included in the net interest expense)					
(77,848)	(2,839)	(80,687)	0	0	0
Actuarial gains and losses - experience					
22,212	(1,443)	20,769	0	0	0
Actuarial gains and losses arising on changes in demographic assumptions					
211,575	10,211	221,786	(67,857)	(2,078)	(69,935)
Actuarial gains and losses arising on changes in financial assumptions					
(10,920)	(288)	(11,208)	0	0	0
Other movements in the liability / (asset)					
(74,238)	(2,890)	(77,128)	(88,731)	(3,960)	(92,691)
Total charged to the Comprehensive Income and Expenditure Statement					

Movement in Reserves Statement

2016/17			2017/18		
Council	LPFA	Total	Council	LPFA	Total
£000	£000	£000	£000	£000	£000
(8,855)	(808)	8,047	(58,603)	(733)	(59,336)
Reversal of net charges made to the (surplus) or deficit on the Provision of Services					
<u>Actual amount charged against the general fund balance for pensions in the year:</u>					
20,974	648	21,622	23,844	211	24,055
Employers' contributions payable to scheme					

Pension Assets and Liabilities Recognised in the Balance Sheet

2016/17			2017/18		
Council	LPFA	Total	Council	LPFA	Total
£000	£000	£000	£000	£000	£000
(1,761,536)	(65,809)	(1,827,345)	(1,845,672)	(63,099)	(1,908,771)
Present value of the defined obligation					
1,382,944	58,690	1,441,634	1,521,052	59,418	1,580,470
Fair value of plan assets					
(378,592)	(7,119)	(385,711)	(324,620)	(3,681)	(328,301)
Value of Assets / (Liabilities)					
(378,592)	(7,119)	(385,711)	(324,620)	(3,681)	(328,301)
Net (liability) / asset arising from the defined benefit obligation					

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

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

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 below.

Expected Return on Assets

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.

	Council Fund		SSA		LPFA Fund	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
<u>Mortality assumptions:</u>						
Longevity at 65 for current pensioners:						
- Men	24.5	24.4	24.5	24.4	20.7	20.6
- Women	26.1	26.0	26.1	26.0	24.2	24.2
Longevity at 65 for future pensioners:						
- Men	26.8	26.6	26.8	26.6	23.1	23.0
- Women	28.4	28.3	28.4	28.3	26.5	26.4
Rate of inflation (RPI)	3.4%	3.6%	3.3%	3.6%	3.4%	3.3%
Rate of inflation (CPI)	2.4%	2.7%	2.3%	2.7%	2.4%	2.4%
Rate of increase in salaries	3.9%	4.2%	3.8%	4.2%	3.9%	3.9%
Rate of increase in pensions	2.4%	2.7%	2.3%	2.7%	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.7%	2.5%	2.3%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%	50%	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%	-0.1%
Present Value of Total Obligation	1,723,937	1,747,042	1,795,016	62,287	63,099	63,921
Projected Service Cost	42,326	43,424	44,551	375	382	389
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%	+0.1%	0%	-0.1%
Present Value of Total Obligation	1,761,580	1,747,042	1,746,606	63,131	63,099	63,066
Projected Service Cost	43,424	43,424	43,424	382	382	382
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%	+0.1%	0%	-0.1%
Present Value of Total Obligation	1,792,571	1,747,042	1,726,303	63,889	63,099	62,318
Projected Service Cost	44,553	43,424	42,322	389	382	375
Adjustment to mortality age rating assumption	+ 1 Year	None	-1 Year	+ 1 Year	None	-1 Year
Present Value of Total Obligation	1,826,599	1,747,042	1,694,148	65,668	63,099	60,632
Projected Service Cost	44,809	43,424	42,081	394	382	370

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 £324.6 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 £2,402 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 31st March 2016 that the pension scheme is fully funded. Details are contained in Paper number 17-40 to the Pensions Committee in January 2017; this can be found on the Council's website at <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.

Note 46 - 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.

Note 47 - Contingent Assets

The Council has no contingent assets.

Note 48 - Group Relationships

Shared Services

The Shared Staffing Arrangement with LB Richmond

As detailed in the Narrative Report, Wandsworth Council and LB Richmond formed a shared staffing arrangement from the 1 October 2016. Wandsworth has incurred £0.9m SSA set up costs in 2017/18 and £0.8m in 2016/17. Where Wandsworth Council has entered into specific relationships with LB Richmond and its existing partners, these are detailed below.

South London Legal Partnership

In October 2016 the Council entered into the South London Legal Partnership. This partnership incorporates the legal services of LB Richmond, RB Kingston, LB Merton and LB Sutton, and Wandsworth Council and is hosted by LB Merton. Wandsworth was directly charged via an hourly rate for these services from April 2017.

The Council paid £1.9m in 2017/18 to LB Merton for legal services (during the 6 months of 2016/17 LB Merton only directly recharged salary costs)

Internal Audit and Investigations Service

Wandsworth Council joined the shared Audit and Investigations service of LB Richmond, RB Kingston, LB Merton and LB Sutton on 1 October 2016. The service provides the statutory Internal Audit Service for the 5 councils and provides an anti-fraud and corruption service by carrying out investigations of suspected financial fraud and irregularity. The partnering boroughs are charged on the basis of time spent and an agreed audit day rate.

The Council spent £0.7m on this shared service in 2017/18 and again, was only recharged directly for salary costs for the 6 months from October 2016 in 2016/17.

Pension Administration Services

Based at Wandsworth, the Pensions Shared Service administers the Local Government Pension Scheme (LGPS) for LB Camden, LB Merton, LB Richmond, LB Waltham Forest and Wandsworth Council.

The Council incurred expenditure of £1.8m in 2017/18 and recovered £1.0m from other local authorities and incurred expenditure of £1.6m in 2016/17 and recovered £0.8m from other local authorities in relation to this service.

Other

The Council has a wholly owned Local Authority Trading Company (Wandsworth BC Trading Limited) with the Council as the sole shareholder. The Council has also entered into a joint venture partnership with Taylor Wimpey PLC to develop the York Road Winstanley Estates. Both partners will own 50% of the partnership. To date costs have been limited to the preparation of planning applications and the acquisition of limited property interests on the estate. The Council's view is that these do not require the publication of Group Accounts for the year 2017/18.

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

Collection Fund

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

31 March 2017				31 March 2018				
Business Rates £000	Business Rates Supplement £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Business Rates Supplement £000	Council Tax £000	Total £000
				INCOME:				
		(88,339)	(88,339)	Council Tax Receivable			(93,895)	(93,895)
(100,625)			(100,625)	Business Rates Receivable	(104,353)			(104,353)
				Transitional Protection Payments Receivable	(7,035)		(3)	(7,038)
	(2,324)		(2,324)	Business Rates Supplements receivable		(2,568)		(2,568)
(100,625)	(2,324)	(88,339)	(191,288)	Total amounts to be credited	(111,388)	(2,568)	(93,898)	(207,854)
				EXPENDITURE:				
				Apportionment of Previous Year (surplus)/deficit:				
(4,550)			(4,550)	Central Government	(3,025)			(3,025)
(2,730)		2,394	(336)	Wandsworth Borough Council	(1,815)		1,850	35
(1,820)		1,819	(1)	Greater London Council	(1,210)		1,264	54
				Precepts, demands and shares:				
52,337			52,337	Central Government	37,639			37,639
20,935		50,786	71,721	Wandsworth Borough Council	34,217		53,890	88,107
31,402		34,702	66,104	Greater London Council	42,201		35,928	78,129

Business Rate Supplement:

	2,315		2,315	Payment to levying authority's Business Rate Supplement Revenue Account		2,502		2,502
	9		9	Other Admin Fees		8		8

Charges to Collection Fund:

24		650	674	Write-offs of uncollectable amounts	1,593		704	2,297
(731)		(834)	(1,565)	Increase/(decrease) in allowance for impairment	(124)	58	316	250
(906)			(906)	Increase/(decrease) in allowance for appeals	(2,285)			(2,285)
463			463	Charge to General Fund for allowable collection costs for non-domestic rates	463			463

94,424	2,324	89,517	186,265	Total amounts to be debited	107,654	2,568	93,952	204,174
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(6,201)	0	1,178	(5,023)	(Surplus)/deficit arising during the year	(3,734)	0	54	(3,680)
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13,325	0	(4,501)	8,824	(Surplus)/deficit b/f at 1 April 2017	7,124	0	(3,323)	3,801
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7,124	0	(3,323)	3,801	(Surplus)/deficit c/f at 31 March 2018	3,390	0	(3,269)	121
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Notes to the Collection Fund

Note 1 - Council Tax Income

2017/18

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of	
		no of dwellings No		dwellings No	
A	Upto and including - 40,000	3,845	6/9	2,563	
B	40,001 - 52,000	8,071	7/9	6,278	
C	52,001 - 68,000	28,193	8/9	25,061	
D	68,001 - 88,000	27,921	9/9	27,921	
E	88,001 - 120,000	19,848	11/9	24,258	
F	120,001 - 160,000	14,043	13/9	20,284	
G	160,001 - 320,000	12,338	15/9	20,563	
H	More than - 320,001	2,597	18/9	5,194	
				Adjustment	(3,963)
				Plus Ministry of Defence Properties	144
				Council Tax base	<u>128,303</u>

2016/17

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of	
		no of dwellings No		dwellings No	
A	Upto and including - 40,000	3,822	6/9	2,548	
B	40,001 - 52,000	8,132	7/9	6,325	
C	52,001 - 68,000	28,101	8/9	24,979	
D	68,001 - 88,000	27,468	9/9	27,468	
E	88,001 - 120,000	19,162	11/9	23,420	
F	120,001 - 160,000	13,659	13/9	19,730	
G	160,001 - 320,000	11,972	15/9	19,953	
H	More than - 320,001	2,526	18/9	5,051	
				Adjustment	(3,884)
				Plus Ministry of Defence Properties	144
				Council Tax base	<u>125,734</u>

Note 2 – NNDR Rateable Value and Multiplier

Rateable value of non-domestic properties at 31 March 2018 is £293,527k (£249,223k at 31 March 2017).

2016/17		2017/18	
49.7 pence	NNDR Multiplier	47.9 pence	
48.4 pence	Small NNDR Multiplier	46.6 pence	

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the 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.

31 March 2017		31 March 2018
£000	<i>Notes</i>	£000
	Expenditure	
23,309	Repairs & Maintenance	22,349
57,827	Supervision & Management	52,685
196	Rents, Rates, Taxes and other charges	629
24,442	5 Depreciation, impairments and revaluation losses of non-current assets	46,737
451	Movement in the allowance for bad debts	459
325	Other	0
106,550	Total Expenditure	122,859
	Income	
(112,268)	Dwelling rents	(111,573)
(4,253)	Non-dwelling rents	(4,527)
(24,542)	Charges for services and facilities	(23,362)
(141,063)	Total Income	(139,462)
(34,513)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(16,603)
1,382	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	1,397
(33,131)	Net Expenditure of HRA Services	(15,206)
(22,473)	(Gains)/loss on sale of HRA Fixed Assets	(20,243)
5,561	Interest Payable and Similar Charges	5,065
(2,824)	HRA Interest and Investment Income	(2,521)
3,030	Net interest on the defined benefit liability/asset	(1,229)
(22,344)	Capital Grants and Contributions	(5,716)
(72,181)	(Surplus) or deficit for Year on HRA Services	(39,850)

Movement on the HRA Statement

31 March 2017 Movement on the HRA Statement £000	31 March 2018 £000
(121,896) Balance on the HRA at the end of the previous year	(130,878)
(72,181) (Surplus) or deficit on the HRA Income and Expenditure Statement	(39,850)
63,199 Adjustments between accounting basis and funding basis under statute	37,963
(8,982) Net (increase) or decrease before transfers to or from reserves	(1,887)
(8,982) (Increase) or decrease on the HRA for the year	(1,887)
(130,878) Balance on the HRA at the end of the current year	(132,765)

31 March 2017 £000	Adjustment between accounting basis	31 March 2018 £000
856	Transfers to/(from) the Capital Adjustment Account	(7,121)
22,473	Gain or (loss) on sale of non-current assets	20,243
(6,206)	Contributions to or (from) the Pension Reserve	(1,651)
(94)	Transfers to/(from) the Capital Receipts Reserve	(80)
22,344	Transfers to/(from) Capital Grants Unapplied Account	5,716
(35)	Transfers to/(from) the Accumulated Absences Account	99
23,862	Transfers to/(from) Major Repairs Reserve	20,757
63,200	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	37,963

Notes to the HRA Account

Note 1 - Analysis of Council Housing Stock

31 March 2017				31 March 2018		
Flats	Houses	Total		Flats	Houses	Total
14,207	2,580	16,787	Secure tenancies	14,204	2,593	16,797
32	48	80	Equity share tenancies	32	47	79
235	0	235	Shared dwellings	235	0	235
15,861	46	15,907	Long-lease sold	15,814	45	15,859
30,335	2,674	33,009	Total	30,285	2,685	32,970

Note 2 - Housing Revenue Account Capital Funding

31 March 2017			31 March 2018	
£000			£000	
Sources of funding				
(19,940)	Borrowing		(18,146)	
(28,370)	Capital Receipts		(19,526)	
(3,037)	Major Repairs Reserve		(11,495)	
(22,344)	Government grants and other contributions		(5,716)	
(73,691)	Total funding		(54,883)	

Note 3 - Balance Sheet Value of HRA Operational Assets

31 March 2017		31 March 2018	
£'000		£'000	
Operational Assets			
1,366,617	Dwellings	1,347,945	
81,824	Other Land and Buildings	82,991	
1,448,441	Total	1,430,936	

The vacant possession value of dwellings within the HRA at 31 March 2018 was £5,317m. 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

Revaluation gains of £4.9m and revaluation losses of £49.7m were identified in HRA operational assets between the valuation dates of March 2017 and March 2018. £30.9 million of this was shown as a cost in the Income and Expenditure Statement. Revaluation losses of £0.7 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.

Note 4 - Depreciation and Impairment of Non-Current Assets

31 March 2017			31 March 2018			
Depreciation £000	Impairment £000	Total £000		Depreciation £000	Impairment £000	Total £000
22,618	503	23,121	Council Dwellings	20,176	25,865	46,041
1,243	78	1,321	Other Land and Buildings	581	115	696
23,861	581	24,442	Total	20,757	25,980	46,737

Note 5 - Transactions relating to retirement benefits

31 March 2017 £000	31 March 2018 £000
3,176 Current Service Cost	2,706
0 Past Service Costs	174
3,030 Net interest expense	(1,229)
6,206 Total charged to Comprehensive Income and Expenditure Statement	1,651
6,206 Movement on Pension Reserve	1,651

Note 6 - Total Capital Receipts Generated during the year

31 March 2017 £000	31 March 2018 £000
(24,544) Council Houses	(21,033)
(3,306) Other Property	(2,945)
(27,850) Total	(23,978)

Independent Auditor's Report to the Members of Wandsworth Council

Opinion

We have audited the financial statements of Wandsworth Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Balance Sheet; Movement in Reserves Statement; Cash Flow Statement; and related notes 1 to 48; the Collection Fund and the related notes 1 and 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Wandsworth Borough Council as at 31 March 2018 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 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Wandsworth Council Accounts for the year 2017/18, other than the financial statements and our auditor's report thereon. The Director of Resources and Deputy Chief Executive is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, 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 2018.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of the Responsibilities set out on page 114, the Director of Resources and Deputy Chief Executive is responsible for the preparation of the Wandsworth Council Accounts for the year 2017/18, 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 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the 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 2018.

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

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

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

Pension Fund financial statements

On 30 July 2018 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2018 included within the Wandsworth Council Accounts for the year 2017/18.

Delay in certification of completion of the audit

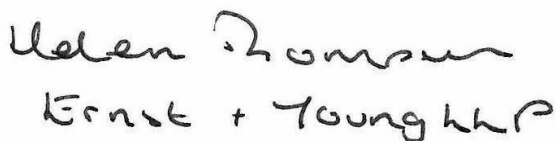
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial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

In addition we are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Wandsworth Pension Fund. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not yet prepared the Annual Report we have not yet been able to conclude on the consistency with these financial statements and we have not issued our report on those financial statements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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



Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2018

The maintenance and integrity of the 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.

Pension Fund Accounts

	<i>Note</i>	2017/18 £000	2016/17 £000
Dealing with Members, Employers and Others Directly Involved in the Fund			
Contributions receivable	7	(58,951)	(46,427)
Transfers In from Other Pension Funds	8	(7,661)	(1,745)
Transfer in of LBRuT Fund at Market Value		0	(675,048)
		(66,612)	(723,220)
Benefits payable	9	74,582	60,241
Payments to and on account of Leavers	10	6,196	4,732
		80,778	64,973
Net (Additions)/Withdrawals from Dealings with Members		14,166	(658,247)
Management Expenses	11	8,036	6,192
Net (Additions)/Withdrawals including Fund Management Expenses		22,202	(652,055)
Returns on Investments			
Investment income	12	(33,986)	(26,927)
Taxes on income	12	272	116
(Profit)/Loss on Disposal of Investment and changes in Market Value	13	(72,264)	(315,342)
Net Returns on Investments		(105,978)	(342,153)
Net (increase)/decrease in the Net Assets Available for Benefits During the Year		(83,776)	(994,208)
Opening Net Assets of the Fund		(2,182,680)	(1,188,472)
Closing Net Assets of the Fund		(2,266,456)	(2,182,680)

Net Assets Statement

		31st March 2018	31st March 2017
	<i>Note</i>	£000	£000
CIV Long Term Capital (Founders' Shares)		300	300
Investment Assets	13	2,241,630	2,161,667
Cash Deposits		16,621	21,781
Investment Liabilities	13	(1,098)	(924)
Total Net Investments	13	2,257,453	2,182,824
Current Assets (incl. bank)	18	10,829	4,183
Current Liabilities	18	(1,826)	(4,327)
Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period		2,266,456	2,182,680

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 17 of these Accounts.

Notes to the Pension Fund

Pension Fund Note 1 Description of Fund

Wandsworth Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Wandsworth Borough Council (WBC). 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 2017/18 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 Wandsworth Borough Council (WBC). 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). 2017/18 is the first full year of reporting on the merged Fund.

• **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 councils and other scheduled and admitted bodies within the Boroughs of Wandsworth and Richmond. Teachers are not included as they come within the Teachers' national pension scheme. The Fund is overseen by the Councils' Joint Pensions Committee.

• **Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join or make their own personal arrangements outside of the LGPS. 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 LGPS.
- 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 98 employer organisations within the Fund including the Council itself. 63 employer organisations, including the councils, have active members, the remaining employer organisations have deferred members and pensioners only.

	31st March 2018	31st March 2017
Number of Employers with Active Members	63	53
Number of Employees in the Fund		
Councils (LBRuT & WBC)	7,325	6,749
Other Employers	2,435	2,885
Total	9,760	9,634
Number of Pensioners (including dependants)		
Councils (LBRuT & WBC)	8,847	8,440
Other Employers	925	990
Total	9,772	9,430
Deferred Pensioners		
Councils (LBRuT & WBC)	11,963	12,836
Other Employers	2,098	3,018
Total	14,061	15,854
Total Number of Members in the Fund	33,593	34,918

This table includes borough schools membership as part of the relevant council from 2017/18. This brings Fund presentation in line with the councils' Accounts, where borough schools are consolidated into balances, and is therefore more appropriate for these employers.

- **Funding**

Benefits are funded by contributions and returns on investment. Contributions are made by active members of the LGPS 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 2018. 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 Pension 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 14.5% - 26.6% of pensionable pay (although some employers are paying additional deficit contributions).

- **Benefits**

The LGPS was amended 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 1/49th (rather than 1/60th) for future membership. Protections apply to benefits built up before 1st April 2014. More details about the scheme can be found here: www.lgpsmember.org for members of the scheme and here: 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 membership, summarised below:

Service pre 1st April 2008**Service post 31st March 2008 to 31st March 2014**

Pension	Each year worked is worth 1/80 x final pensionable pay.	Each year worked is worth 1/60 x final pensionable pay.
Lump Sum	Automatic lump sum of 3 x pension. 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 HM Revenue & Customs.	No automatic lump sum. 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 HM Revenue & Customs.

There are a range of other benefits provided under the LGPS including early retirement, disability pensions and death benefits. For more details, please refer to the LGPS member website (above) and http://www.wandsworth.gov.uk/info/200260/finance_department/417/pensions_shared_service

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

Pension Fund Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31st March 2018. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* 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 Pension Fund Note 17 of these Accounts.

As noted above during 2016/17 all assets and liabilities of the LBRuT Pension Fund transferred to the WBC Pension Fund 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 2016. The comparative 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); and
- all revenue transactions related to the former LBRuT Fund attributable to the period after the merger date shown on a 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.

Pension Fund Note 3 Summary of Significant Accounting Policies

Fund account - revenue recognition

a) Contribution income

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

The Council's contribution rate for the year ended 31st March 2018 was 18% of pensionable pay which was fully attributable to the normal contribution rate in respect of future accrual. The contribution rate payable by other employers (including those transferred from the LB Richmond) contributing to the Fund ranges from 14.5% - 26.6%. 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 pension 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 LGPS during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Pension Fund Note 8 and Pension Fund Note 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 Pension Fund Note 19) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in (see Pension Fund Note 8).

c) Investment income

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

Dividend income - Dividend income is recognised on the date the shares are quoted excluding dividend. Any amount not received by the end of the reporting period is disclosed within investment assets.

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.

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 pensioners 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
- 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 3-year rolling basis in relation to the benchmark (except where noted).

- Longview Partners
- River and Mercantile
- Allianz Global Partners (formerly 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:

- **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.

- **Fixed interest securities:**

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

- **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.

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 required by IAS 26).

As permitted under the CIPFA 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 (Pension Fund Note 17).

n) Additional Voluntary Contributions

The Fund provides additional voluntary contributions (AVC) schemes for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential as its AVC provider. The Fund has also taken on the LBRuT Fund's AVC arrangements of Equitable Life and Clerical Medical.

AVCs are paid to the AVC provider by employees and are specifically for providing additional benefits for individual members. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Accounts but are disclosed separately in (Pension Fund Note 19).

Pension Fund Note 4 Critical Judgements in Applying Accounting Policies

Pension fund liability

The pension fund liability is calculated every 3 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 (Pension Fund Note 17). This estimate is subject to significant variances based on changes to the underlying assumptions.

Pension Fund Note 5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the 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 is as follows.

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £50.4m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3.9m a one-year increase in assumed life expectancy would increase the liability by approximately £107.2m.

Pension Fund Note 6 Events after the Year End

There have been no events since 31st March 2018, and up to the date when these Accounts were certified that require any adjustments to these Accounts.

Pension Fund Note 7 Contributions

	31st March 2018 £000	31st March 2017 £000
Employees' Contributions	14,304	11,175
Normal Contributions	36,694	28,154
Deficit Recovery Contributions	4,707	5,266
Augmentation Contributions	3,246	1,833
Employers' Contributions	44,647	35,253
Total Contributions by Category	58,951	46,428
Scheduled Bodies	52,302	43,752
Admitted Bodies	3,524	1,565
Designated Bodies	3,125	1,111
Total Contributions by Body	58,951	46,428

Pension Fund Note 8 Transfers in from other Pension Funds (including LBRuT Transfer)

	31st March 2018 £000	31st March 2017 £000
Individual Transfers	7,661	1,745
Transfer of LBRuT Fund	n/a	675,048
Analysis of LB Richmond Fund Transfer		1st October 2016
Assets Transferred in specie		667,890
Cash		6,216
Investment Debtors		197
Current Assets		1,135
Current Liabilities		(390)
Total		675,048

Pension Fund Note 9 Benefits

	31st March 2018 £000	31st March 2017 £000
Pensions	60,640	48,612
Commutation and Lump Sum Retirement Benefits	11,455	10,557
Lump Sum Death Benefits	2,487	1,072
Total Benefits by Category	74,582	60,241
Scheduled Bodies	70,771	58,372
Admitted Bodies	3,424	1,750
Designated Bodies	387	119
Total Benefits by Body	74,582	60,241

Pension Fund Note 10 Payments to and on Account of Leavers

	31st March 2018 £000	31st March 2017 £000
Refund to Members Leaving Service	279	374
Individual Transfers	5,917	4,358
Total Payments to/on account of Leavers	6,196	4,732

Pension Fund Note 11 Management Expenses

	2017/18 £000	2016/17 £000
Administrative Costs	851	578
Investment Management Expenses	6,859	5,285
Oversight & Governance Costs	326	329
Total Management Costs	8,036	6,192
Transaction Costs	715	983
Management Fees	5,626	3,363
Performance Related Fees	469	892
Custody Fees	49	47
Total Investment Management Costs	6,859	5,285

Pension Fund Note 12 Investment Income & Tax

	2017/18 £000	2016/17 £000
Fixed Interest Securities	6,301	6,141
Equity Dividends	11,751	11,194
Pooled Investment (Unit Trusts & Other Managed Funds)	15,914	9,551
Interest on Cash Deposits	20	41
Total Investment Income	33,986	26,927
Taxes on Income		
Overseas Withholding Tax on Equities	180	116
Overseas Withholding Tax on Pooled Vehicles	92	0
Total Taxes on Income	272	116

Pension Fund Note 13 Investments

This note gives further detail relating to the Total Net Investments on the Net Assets Statement

	31st March 2018 £000	31st March 2017 £000
Investment Assets		
CIV Founders' Shares	300	300
Fixed Interest Securities	184,650	181,996
Equity	178,327	441,509
Pooled Investments	1,798,531	1,466,793
Pooled Property Investments	71,607	66,175
Derivative Contracts		
- Futures	362	192
- Forward currency contracts	89	120
Cash Collateral	314	174
Investment Income Due	4,734	4,114
Amounts Receivable for Sales	3,016	592
Amounts Receivable for Pending Spot FX	0	3
Other Investment Assets	2,241,630	2,161,668
Cash Deposit	16,621	21,779
Total Investment Assets	2,258,551	2,183,747
Investment Liabilities		
Derivative Contracts		
- Futures	(396)	(170)
- Forward currency contracts	(495)	(241)
Amounts Payable for Purchases	0	(513)
Other Investment Liabilities	(207)	0
Total Investment Assets	(1,098)	(924)
Net Investment Assets	2,257,453	2,182,823

a) Reconciliation of movements in Net Investment Assets (excluding CIV founders shares)

Asset Category	Market Value 1 April 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2018
	£000	£000	£000	£000	£000
Fixed Interest Securities	181,996	140,415	(134,783)	(2,978)	184,650
Equities	441,509	118,569	(381,278)	(473)	178,327
Pooled Investments	1,466,793	538,830	(275,891)	68,799	1,798,531
Pooled Property Investments	66,175	921	(803)	5,314	71,607
Investments excl. Derivatives & CIV	2,156,473	798,735	(792,755)	70,662	2,233,115
Derivative Contract:					0
Futures	21	1,631	(1,814)	128	(34)
Forward Currency Contracts	(121)	3,060	(4,436)	1,091	(406)
	2,156,373	803,426	(799,005)	71,881	2,232,675
Other Investment Balances:					
Cash Deposits	21,781			(67)	16,621
Amount Receivable for Sales & Investments	592			20	3,016
Investment Income Due	4,114				4,734
Spot FX Contracts	3			(253)	0
Amount Payable for Purchases of Investments	(513)				0
Cash Collateral	174			0	107
Obligation to Return Cash Collateral	0				0
Total Net Investments excl. CIV	2,182,524			71,581	2,257,153
Other changes charged to the Fund Account				683	
(Profit)/Loss on Disposal of Investment and changes in Market Value				72,264	

Asset Category	Market Value 1 April 2016	Transfer of Assets from LBRuT	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2017
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	157,738	0	83,766	(75,411)	15,903	181,996
Equities	503,080	0	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
Investments excl. Derivatives & CIV	1,161,111	667,739	424,929	(411,122)	313,816	2,156,473
Derivative Contract:						
Futures	115	0	(389)	(868)	1,163	21
Forward Currency Contracts	(531)	0	7,791	(6,742)	(639)	(121)
	1,160,695	667,739	432,331	(418,732)	314,340	2,156,373
Other Investment Balances:						
Cash Deposits	19,280				72	21,781
Amount Receivable for Sales & Investments	276					592
Investment Income Due	4,252					4,114
Spot FX Contracts	0					3
Amount Payable for Purchases of Investments	(410)					(513)
Cash Collateral	305					174
Obligation to Return Cash Collateral	(187)					0
Total Net Investments excl. CIV	1,184,211					2,182,524

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 £0.7m (£1.0m in 2016/17). 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

	31st March 2018	31st March 2017
	£000	£000
Fixed Interest Securities		
<u>UK</u>		
Public Sector - quoted	6,728	6,273
Corporate - quoted	66,651	72,003
Public Sector - index linked	35,083	36,575
<u>Overseas</u>		
Public Sector - quoted	3,080	6,558
Corporate - quoted	73,108	60,587
	184,650	181,996
Equities		
<u>UK</u>		
Quoted	173,157	199,163
<u>Overseas</u>		
Quoted	5,170	242,346
	178,327	441,509
Pooled Funds - Additional analysis		
<u>UK</u>		
Fixed Income Unit Trust	244,251	239,404
Equity Unit Trust	526,004	432,078
Diversified Growth Unit Trust	0	89,774
<u>Overseas</u>		
Fixed Income Unit Trust	9,703	10,838
Equity Unit Trust	1,018,573	694,698
	1,798,531	1,466,792
Pooled Property Investments	71,607	66,175
	71,607	66,175
Total Investments excl. Derivatives & CIV	2,233,115	2,156,472

Analysis of derivatives

Objectives and policies for holding derivatives

Derivative instruments are used in the bond portfolio managed by Allianz (formerly 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 from 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.

Allianz is the only manager permitted to use derivatives. Allianz use 2 types of derivative being Forward Foreign Exchange contracts and Futures. Their use enables Allianz 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 Allianz 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 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:

Type	Expires	Economic Exposure £000	Market Value 31st March 2018 £000	Economic Exposure £000	Market Value 31st March 2017 £000
Assets					
UK Fixed Income Futures	< 1 Year	368	4	8,675	140
Overseas Fixed Income Futures	< 1 Year	14,498	357	24,225	51
Total Assets			361		191
Liabilities					
UK Fixed Income Futures	< 1 Year	0	0	0	0
Overseas Fixed Income Futures	< 1 Year	(58,886)	(395)	(9,852)	(170)
Total Liabilities			(395)		(170)
Net Futures			(34)		21

Open forward currency contracts

Settlements	Currency Bought	Local Value of		Local Value of Currency Sold	Asset Value	Liability Value
		Currency Bought	Currency Sold			
		£000		£000	£000	£000
< 1 month	IDR	70,260,958	USD	(5,250)		(103)
< 1 month	USD	5,622	MXN	(107,521)		(177)
< 1 month	BRL	13,799	USD	(4,277)		(94)
< 1 month	USD	2,304	IDR	(31,982,661)		(14)
< 1 month	MXN	35,066	USD	(1,861)	38	
1-6 months	SEK	45,312	EUR	(4,495)		(84)
1-6 months	USD	2,756	NZD	(3,823)		(1)
1-6 months	CAD	133	USD	(102)	1	
1-6 months	GBP	16,455	USD	(23,160)		(22)
1-6 months	GBP	1,291	EUR	(1,469)	2	
1-6 months	USD	39	AUD	(50)	0	
1-6 months	USD	6,940	GBP	(4,894)	43	
1-6 months	NZD	3,823	USD	(2,752)	4	
Open Forward Currency Contracts at 31st March 2018					88	(495)
Net Forward Currency Contracts at 31st March 2018						(407)
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2017					120	(241)
Net Forward Currency Contracts at 31st March 2017						(121)

Investments analysed by Fund Manager

	Market Value 31st March 2018		Market Value 31st March 2017	
	£000	%	£000	%
Aberdeen (Property Pooled Vehicle)	182	0.0	827	0.0
Baillie Gifford (Equity)	237,368	10.5	211,969	9.7
CCLA / LAMIT (Pooled Property)	4,417	0.2	4,265	0.2
CQS Multi-Asset Credit (Pooled Fund)	57,238	2.5	54,565	2.5
Henderson (Multi-Asset & Pooled Property)	245,090	10.9	263,608	12.1
L&G (Passive Multi-Asset & Pooled Property)	350,118	15.5	332,963	15.3
London LGPS CIV (Allianz Global Equity)	231,309	10.2	215,473	9.9
London LGPS CIV (Baillie Gifford DGF)	94,467	4.2	89,774	4.1
Longview (Global Equity)	284,451	12.6	280,239	12.8
Northern Trust (Custodian)	10,037	0.4	352	0.0
Oakhill (Multi-Asset Credit)	49,493	2.2	50,852	2.3
River & Mercantile (UK Equity)	181,823	8.1	178,874	8.2
Rogge (Enhanced Bonds)	200,866	8.9	196,389	9.0
Schroders (Pooled Property)	33,065	1.5	29,861	1.4
UBSGAM (Passive Multi-Asset)	277,229	12.3	272,513	12.5
Fund Manager total	2,257,153	100.0	2,182,524	100.0
CIV Founders Shares	300		300	
Total Net Investments	2,257,453		2,182,824	

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

	Market Value 31st March 2018		Market Value 31st March 2017	
	£000	% of Fund	£000	% of Fund
Longview (Global Equity)	284,316	12.6	0	0.0
UBSGAM Life UK Equity Tracker	260,703	11.6	256,523	11.8
London LGPS CIV (Growth)	237,335	10.5	211,367	9.7
London LGPS CIV (Allianz Global Equity)	231,268	10.3	214,749	9.8
L&G UK Equity Index Fund	0	0.0	109,910	5.0
Total Investment Assets	1,013,622	45.0	792,549	36.3

This table shows individual investments held by fund managers. Managers may hold additional investments, including cash, so the total investment by manager may not equal the figures quoted above.

The Fund held 30 Pooled Funds, they are shown in the table below

Asset Description	Market Value at 31st March 2018	Market Value at 31st March 2017
LCIV LV Global Equity Fund [Longview Global Equity]	284,316	-
UBSAM UK Equity Tracker Fund	260,703	256,523
LCIV Global Equity Alpha [Allianz Global Equity]	231,268	214,749
LCIV BG Global Alpha Growth [Baillie Gifford Global Equity]	237,335	211,367
L&G UK Equity Index Fund	111,430	109,910
LCIV Diversified Growth [Baillie Gifford DGF]	94,467	89,774
Janus Henderson Institutional UK Index Opportunities Trust	59,403	65,644
L&G North America Equity Index Fund	62,330	58,234
Janus Henderson Institutional Exempt North American Index Opportunities Fund	51,100	56,389
CQS Multi Asset Credit Fund	57,238	54,565
Oakhill Multi Asset Credit Fund	49,493	50,852
L&G World Emerging Mkts Equity Index Fund	40,984	38,864
Henderson All Stocks Credit Fund	34,217	38,504
Janus Henderson Institutional European Index Opportunities Fund	33,812	38,213
L&G Investment Grade Corporate Bond Index Fund	40,304	34,380
L&G Europe (ex UK) Equity Index Fund	34,214	33,159
Schroder UK Real Estate Fund	32,799	29,766
Janus Henderson Institutional UK Gilt Fund	24,161	22,800
L&G All Stocks Gilts Index Fund	22,312	22,314
TH UK Property Fund	18,038	-
Janus Henderson UK Property Fund	-	16,419
UBSAM Over 5 Year Index Linked Gilt Tracker Fund	16,525	15,990
L&G Managed Property Fund	16,171	14,946
Janus Henderson Institutional Japan Index Opportunities Fund	12,891	13,530
L&G Asia Pacific (ex Japan) Developed Equity Index Fund	11,491	10,742
L&G Japan Equity Index Fund	10,882	10,414
Janus Henderson Institutional Asia Pacific (ex Japan) Index Opportunities Fund	7,951	9,039
Rogge Funds plc Global Select High Yield Bond Zero Management	6,216	7,403
Local Authorities' Property Fund (LAMIT / CCLA)	4,417	4,217
Rogge Funds plc Heitman Short Duration Global Bond Fund	3,488	3,435
Rreef Up Property Fund No 3	182	827
Total	1,870,138	1,532,969

The top 10 equity holdings are shown in the table below

Asset Description	Market Value at 31st March 2018	Market Value at 31st March 2017
	£000	£000
Royal Dutch Shell 'B' Ordinary Shares	9,977	10,118
BP Ordinary Shares	9,487	-
HSBC Holdings Ordinary Shares (UK reg)	7,993	-
Glaxosmithkline Ordinary Shares	6,388	-
National Grid Ordinary Shares	4,974	-
Rio Tinto Ordinary Shares	4,792	-
British American Tobacco Ordinary Shares	4,748	-
Tesco Ordinary Shares	4,583	-
Prudential	4,446	-
Vodafone Group Ordinary	4,128	-
Parker Hannifin Corporation	0	10,714
Aon	0	10,431
HCA Healthcare	0	10,360
Delphi Automotive	0	10,089
Sap	0	10,073
Emerson Electric Company	0	9,820
Fidelity National Information Services	0	9,766
Zimmer Biomet holdings	0	9,731
Progressive Corporation	0	9,693
Total	61,516	100,795

Stock Lending

Stock lending is prohibited by the Fund's Investment Strategy Statement.

Pension Fund Note 14 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.

	31st March 2018			31st March 2017		
	Designated as fair value through P/L	Loans and receivables	Financial Liabilities at Amortised Cost	Designated as fair value through P/L	Loans and receivables	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Fixed Interest Securities	184,650			181,996		
Equities	178,327			441,809		
Pooled Investments	1,798,531			1,466,793		
Pooled Property Investments	71,607			66,175		
Derivative Contracts	451			312		
Cash		16,621			21,779	
Other Investment Balances	314	4,734		4,675	204	
Current Assets	0	3,016			4,184	
Total Assets	2,233,880	24,371	0	2,161,760	26,167	0
Financial Liabilities						
Derivative Contracts	(891)			(411)		
Other Investment Balances	(207)			3		
Creditors						(513)
Current Liabilities					(57)	
Pending Currency Transactions						(4,270)
Total Liabilities	(1,098)	0	0	(408)	(57)	(4,783)
Net Total	2,232,782	24,371	0	2,161,352	26,110	(4,783)

b) Net Gains and Losses on Financial Instruments

	31st March 2018	31st March 2017
	£000	£000
Financial Assets		
Fair value through profit and loss	70,050	314,747
Loans & Receivables	20	72
Financial Liabilities		
Fair value through profit and loss	1,218	524
Total	71,288	315,343

c) Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into 3 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. Quoted pooled property investments are included due to the inherently higher level of estimation required for property valuations underlying the quoted price.

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 unquoted pooled property investments. Pooled property investment managers will sign off the valuation to confirm it is within expectation. The external valuer's opinion prevails 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 Net Asset Value (NAV).

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

	31st March 2018			
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	179,003	2,054,696	182	2,233,881
Loans & Receivables	17,921	6,450	0	24,371
	196,924	2,061,146	182	2,258,252
Financial Liabilities				
Fair value through profit and loss	(603)	(495)	0	(1,098)
Financial Liabilities at Amortised Cost				0
	(603)	(495)	0	(1,098)
Total	196,321	2,060,651	182	2,257,154

	31st March 2017			
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss	440,523	1,761,123	2,178	2,203,824
Loans & Receivables	27,225	3,443		30,668
	467,748	1,764,566	2,178	2,234,492
Financial Liabilities				
Fair value through profit and loss	(170)	(47,315)	0	(47,485)
Financial Liabilities at Amortised Cost	(4,327)	0	0	(4,327)
	(4,497)	(47,315)	0	(51,812)
Total	463,251	1,717,251	2,178	2,182,680

Pension Fund Note 15 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 Joint Pensions 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 Fund merger during 2016/17 enhanced the level of asset class and manager diversification by reducing the combined Fund's overall equity exposure to around 72% (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 Pension Fund Controller. Further details of current policy are included in the Fund's Investment Strategy Statement. To mitigate market risk, the Fund 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. 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 statement.

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 Fund has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

	Potential market movements	
	2017/18	2016/17
UK equities	15.6%	15.7%
Overseas equities	17.6%	17.8%
UK Fixed Interest Gilts	7.0%	8.2%
UK Index-Linked Gilts	9.6%	9.3%
UK Non-Government Bonds	7.2%	8.5%
UK Non-Government Index-Linked	9.6%	9.3%
Overseas Bonds	9.9%	11.7%
Multi-Asset Credit	7.1%	7.8%
Diversified Growth Fund	10.2%	10.5%
Pooled property investments	14.1%	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 the degree of price variance indicated is the maximum that would be anticipated in 2 out of every 3 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):

Asset type	Value at 31st March 2018	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Equities	609,864	15.6%	705,002	514,725
Overseas Equities	1,018,574	17.6%	1,197,843	839,305
UK Fixed Interest Gilts	53,201	6.9%	56,872	49,530
UK Index-Linked Gilts	46,633	9.6%	51,109	42,156
UK Non-Government Bonds	216,845	7.2%	232,457	201,232
UK Non-Government Index Linked	4,976	9.6%	5,454	4,498
Overseas Bonds	10,185	9.9%	11,194	9,177
Multi-Asset Credit	106,731	7.1%	114,309	99,153
Diversified Growth Fund	94,467	10.2%	104,103	84,832
Pooled Property Investments	71,607	14.1%	81,704	61,511
Total Assets Invested	2,233,083		2,560,047	1,906,119

Asset type	Value at 31st March 2017	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£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
Total Assets Invested	2,156,473		2,479,893	1,833,053

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 2018 and 31st March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	31st March 2018	31st March 2017
	£000	£000
Cash and Cash Equivalents	16,621	21,781
Fixed Interest Securities	184,650	181,996
Fixed Income Pooled Funds	253,954	250,243
Total	455,225	454,020

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 Fund reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by finance officers.

Government bond futures are used to manage interest rate risk.

Interest Rate Risk Sensitivity Analysis

The Fund 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 1 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.

Asset Type	Carrying Amount 31st March 2018 £000	Change in Year in Net Assets Available to Pay Benefits	
		+100bps £000	-100bps £000
Cash and Cash Equivalents	16,621	166	(166)
Fixed Interest Securities	184,650	1,847	(1,847)
Fixed Income Pooled Funds	253,954	2,540	(2,540)
Total	455,225	4,553	(4,553)

Asset Type	Carrying Amount 31st March 2017 £000	Change in Year in Net Assets Available to Pay Benefits	
		+100bps	-100bps
		£000	£000
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)
Total	454,020	4,540	(4,540)

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 sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from 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. Historically, the Fund managed this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Joint Pensions Committee for each quarter of the year. However, the Fund has recently opted to use currency hedging as a risk mitigation tool.

The following table summarises the Fund's currency exposure as at 31st March 2018 and at the previous year end:

Currency Exposure - Asset Type	31st March 2018	31st March 2017
	£000	£000
Overseas Cash	921	739
Overseas Unit Trust	1,018,574	705,536
Overseas Securities (quoted)	5,170	242,346
Overseas Public Sector Bonds (quoted)	3,080	6,558
Overseas Corporate Bonds (quoted)	73,108	60,587
Total Overseas Assets	1,100,853	1,015,766

Currency risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisor (Mercer), the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% in 2017/18 (10% in 2016/17) (as measured by one standard deviation).

It should be noted that the Fund over the course of the year is establishing a currency hedging overlay to hedge approximately 50% of its overseas currency exposure. Therefore the below gains and losses on the sterling value of overseas assets will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

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:

Currency Exposure - Asset Type	Carrying Amount 31st March 2018 £000	Change in Year in Net Assets Available to Pay Benefits	
		+100bps £000	-100bps £000
Overseas Cash	921	92	(92)
Overseas Unit Trust	1,018,574	101,857	(101,857)
Overseas Securities (quoted)	5,170	517	(517)
Overseas Public Sector Bonds (quoted)	3,080	308	(308)
Overseas Corporate Bonds (quoted)	73,108	7,311	(7,311)
Total Overseas Assets	1,100,853	110,085	(110,085)

Currency Exposure - Asset Type	Carrying Amount 31st March 2017 £000	Change in Year in Net Assets Available to Pay Benefits	
		+10% £000	-10% £000
Overseas Cash	739	74	(74)
Overseas Unit Trust	705,536	70,554	(70,554)
Overseas Securities (quoted)	242,346	24,235	(24,235)
Overseas Public Sector Bonds (quoted)	6,558	656	(656)
Overseas Corporate Bonds (quoted)	60,587	6,059	(6,059)
Total Overseas Assets	1,015,766	101,578	(101,578)

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 Wandsworth Borough Council as 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 a triple A 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 5 financial years. The Fund's cash holding under its treasury management arrangements at 31st March 2018 was £16m (£21m in 2016/17). This was held with the following institutions:

	Rating	Balances at 31st March 2018 £000	Balances at 31st March 2017 £000
Moneymarket Funds			
NTGI Global Cash Fund	AAA	16,275	21,228
Bank Deposit Accounts			
Variation margin		346	730
Bank Current Accounts			
NT custody cash Accounts		0	(177)
Held with the Council's Bank		7,905	2,480
Total		24,526	24,261

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly. As part of the review the Fund's exposure to lower rated bonds is monitored to ensure the risk of default is managed. The table below shows the credit rating of the Fund's fixed interest securities as at 31st March 2018. These investments exclude the 2 Multi Asset Credit managers.

Credit Rating	Balance at 31st March 2018 £'000	Balance at 31st March 2017 £'000
AAA	14,516	11,276
AA+	0	38,497
AA	114,787	80,439
AA-	0	0
A+	0	2,564
A	59,133	37,131
A-	0	22,263
BBB+	0	35,906
BBB	122,739	56,494
BBB-	0	21,968
BB+	0	3,717
BB	15,073	6,885
BB-	0	986
B+	0	0
B	1,073	3,741
B-	0	757
Other	4,518	4,197
	331,839	326,821

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 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 3 months. Illiquid assets are those assets which will take longer than 3 months to convert in to cash. As at 31st March 2018 the value of illiquid assets was £3.3m, which represented 0.15% of the total fund assets (£0.8m in 2016/17, which represented 0.04% of the total fund assets).

Officers prepare 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 31 March 2018 are due within 1 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.

Pension Fund Note 16 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every 3 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; and
- 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 12 years (LBRuT Fund only) and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. At the 2016 actuarial valuation, the Wandsworth Borough Council Fund was assessed as 101% funded (95% at the March 2013 valuation). As a result, no monetary deficit applied to the Fund as at the valuation date. The London Borough of Richmond Fund was assessed as 91% funded (83% at the March 2013 valuation as measured by the Fund's former actuary, Hymans Robertson LLP). The aggregate monetary deficit of the LBRuT Fund was measured as £56.675m.

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

Financial Assumptions

Assumptions as at	31st March 2018	
	% p.a.	Real
Discount Rate	4.7%	2.3%
Salary Increases		
- Short Term	2.4%	
- Long Term	3.9%	1.5%
CPI Increases	2.4%	
Pensions 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 HM Revenue & Customs limits.

Pension Fund Note 17 Actuarial Present Value of Promised Retirement Benefits for the Purpose of IAS 26

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future. This basis is required under IAS 26.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Pension Fund Note 16). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuary has also used:

- the results of the valuation as at 31 March 2016 which was carried out for funding purposes and the 31 March 2017 IAS 26 report for accounting purposes;
- estimated whole Fund income and expenditure items for the period to 31 March 2018;
- estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 2018; and
- details of any new early retirements for the period to 31 March 2018 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:

Life Expectancy	31st March 2018	31st March 2017
Retiring Today:		
- Male	24.5	24.4
- Female	26.1	26.0
Retiring in 20 year :		
- Male	26.8	26.6
- Female	28.4	28.3

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	31st March 2018		31st March 2017	
	% p.a.	% Real	% p.a.	% Real
CPI Increases	2.3		2.7	
Salary Increases	3.8	1.5	4.2	1.5
Pensions Increases	2.3		2.7	
Discount Rate	2.6		2.7	

These assumptions are set with reference to market conditions at 31st March 2018.

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, where the spot curve is assumed to be flat beyond the 30 year point, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Fund's liabilities. This approach has changed from the "spot rate" approach adopted at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are based on the Consumer Prices Index (CPI) rather than RPI, the assumption about CPI is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. This is slightly higher than the 0.9% different to RPI used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, the actuary has allowed for a Short-Term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

The actuarial present value of promised retirement benefits at 31st March 2018 was £2,817m (£2,857m as at 31st March 2017).

The net asset value available to pay benefits as at 31st March 2018 was £2,265m (£2,154m as at 31st March 2017). Therefore the net pension liability as at 31st March 2018 was £552m (£703m as at 31st March 2017). The present value of the Funded Obligation consists of £2,744m vested and £73m in respect of non-vested obligation.

The value of assets stated above as at 31st March 2018 is based on the actuary's projection of the fund value as at 31st December 2017, so may vary from the value shown in the Net Assets Statement.

Pension Fund Note 18 Current Assets and Liabilities

	Balance at 31st March 2018	Balance at 31st March 2017
	£'000	£'000
Current Assets		
Cash at Bank	7,905	2,480
Cash in Transit	(80)	0
Contributions Due from Employers	479	840
Amount Due from HMRC	0	112
Amount Due from Richmond & Wandsworth	1,601	656
Advances to Staff	0	2
Overpaid Pensions	67	0
Fund Managers' fee rebates due	0	59
Sundry Debtors	857	34
	10,829	4,183
Current Liabilities		
Unpaid Benefits	(131)	(2,123)
Fund Managers' fees	(417)	(1,322)
Audit Fee	0	(32)
Amount Due to Richmond & Wandsworth	(423)	(108)
Amount Due to HMRC	(413)	(702)
Pensions Due	(5)	(9)
Pensions Due to Estate of deceased pensioner	(24)	(10)
Sundry Creditors	(413)	(21)
	(1,826)	(4,327)

Pension Fund Note 19 Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Equitable Life or Clerical Medical. AVCs are entirely separate from the Fund Accounts.

	31st March 2018	31st March 2017
	£000	£000
Market Value of AVCs		
Balance at the Beginning of the Year	4,113	4,060
Investments Purchased with AVCs	424	422
Sale of Investments to settle Benefits Due to Members	(941)	(766)
Change in Value of AVCs (investment income and changes in market value)	142	397
Balance at End of the Year	3,738	4,113

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

Pension Fund Note 20 Related Party Transactions

Governance (Control of the Fund)

In recognition of the fund merger the former Pensions Committee was reconstituted during 2016/17 as a Joint Pensions Committee with 3 members from the former London Borough of Richmond Pension Fund Committee being co-opted. Of the 9 members serving on the Committee, 1 is in receipt of a LGPS pension and 4 others have a deferred benefit in the scheme.

Each member of the Pension Fund Committee is required to declare their interests.

The Council charged the Pension Fund £659,365 for expenses incurred in administering the Fund in 2017/18.

Details of how the scheme benefits are administered can be found at: www.lgps.org.uk

Wandsworth Council and LB Richmond under the Shared Staffing Arrangement

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

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

- Mr M. Maidment (Director of Resources and Deputy Chief Executive)
- Mr P Guillotti (Assistant Director – Financial Services)
- Ms C Hollands (Head of Pensions Shared Service)
- Mr M. Smith (Pension Fund Controller)

They are all active members of the LGPS as SSA employees. 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.

The transactions between the Fund and SSA are in respect of the services provided in administering the Fund, and with the councils as employers in the Fund.

The Council's charges for administration of and the provision of associated services to the Fund are included in the totals in Pension Fund Note 11 Management Expenses, including £745k in Administration Costs and £160k in Oversight & Governance Costs. This includes an element of the salary of the Director of Resources and Deputy Chief Executive. His total remuneration is required to be disclosed in the councils' Accounts due to his role. The figures given below reflect the total remuneration, not the value attributable to the Fund:

	Salary (including fees and allowances)	Bonuses	Remuneration excluding pension contributions 2017/18	Employers pension contribution	Remuneration including pension contributions 2017/18
2017/18 Director of Resources and Deputy Chief Executive - M. Maidment	105,226	3,564	108,790	19,582	128,372

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

	WBC	RuT	SSA
Employer's contributions			
- Normal	6,150	2,949	18,006
- Deficit	-	3,639	-
- Augmentation (Strain costs)	327	843	1,784

Pension Fund Note 21 Contractual Commitments

There are no outstanding capital commitments (investments) at 31st March 2018 (nil in 2016/17).

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

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2018 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 21. 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 2017/18.

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 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of Responsibilities set out on page 12, the Director of Resources and Deputy Chief Executive is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

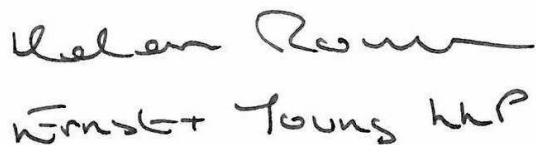
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Handwritten signature of Helen Thompson in cursive, followed by the text "Ernst & Young LLP" in a similar cursive style.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
30 July 2018

The maintenance and integrity of the 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.

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

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

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The CIPFA/ SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of 7 principles, listed below, to support good governance and the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

- **Principle 1** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **Principle 2** Ensuring openness and comprehensive stakeholder engagement.
- **Principle 3** Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **Principle 4** Determining the interventions necessary to optimise the achievement of the intended outcomes.

- **Principle 5** Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- **Principle 6** Managing risks and performance through robust internal control and strong public financial management.
- **Principle 7** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council has in place the key officers namely the Chief Executive (Head of Paid Service), the Director of Resources (Section 151 officer under the Local Government Act 1972) and the Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to enable them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Director of Resources are in line with CIPFA's statement on 'The Role of the Chief Financial Officer'. In addition, the organisation and deployment of their staff and report circulation protocols enable their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the South London Legal Partnership as required.

The Council's Whistleblowing Policy and Procedure was revised in October 2016 for the commencement of the SSA with LB Richmond 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 relevant Committees via Departmental Annual Reports.

Ensuring openness and comprehensive stakeholder engagement. The Council reviews its strategy and priorities on an annual basis and this is reflected in the current Corporate Business Plan - the Corporate Objectives for which were approved by the Executive, with the support of the Finance and Corporate Resources Overview and Scrutiny Committee, on 3rd July 2017 (Paper No. 17-226) - 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

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

The Council has a well developed suite of tools for consulting stakeholders and residents, with information provided on the Council's website which also provides regular feedback on meetings, and publishes regular magazines and an annual report. The Council's web pages and its Borough magazine ("Brightside") are available in a number of formats and help is available for stakeholders whose first language is not English. The online consultation portal has been used extensively during the year, 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 is engaged on the issues. The Council has a commitment to holding open meetings and committee reports, agendas and minutes are published on the internet.

Defining outcomes in terms of sustainable economic, social, and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes. The Council uses a variety of performance indicators to monitor how well its services are performing in meeting the needs of our service users and to measure their efficiency and value for money. The Council's over-arching objective of a distinctively low Council Tax is the main driver for value for money, together with the Council's procurement strategy that centres around the regular testing of the market place for services, supplies and works using, for the most part, the lowest price within the most economically advantageous tender award criteria.

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

Throughout the year the Council's various OSCs focus on a set of key indicators that provide feedback on performance against these 'toplines'. The topline indicators 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 indicators measure performance across a wide range of Council activity including adult and children's social services, education, housing, leisure services, libraries and street cleansing.

Following 7 monitoring visits by Ofsted, the Council's services for children in need of help and protection and children looked after are being re-inspected from 8th to 25th May 2018. The inspection report will be published on 20th July, so a verbal report can be given to the Audit Committee on 24th July. The monitoring visits have reported progress against the actions set out in the Council's Improvement Plan, including improved social work practice, strengthened management oversight and reduced risk to children. There have also been significant improvements in early intervention with the establishment of a new Early Help division in summer 2017, to reduce the number of children escalating to the point where they need statutory social care services. The number of children on a Child Protection Plan, for example, has fallen from a peak of 410 in July 2017 to around 280 in April 2018. The Council recognises that there is more work to be done to ensure consistency of practice, for example in the timeliness of assessments and for health checks of Looked After Children, but nonetheless a recent DfE Review concluded, "We agree with Ofsted's view that significant progress has been made since the full Ofsted inspection of the authority".

Internal Audit made further provision in the 2017/18 plan for 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 in areas such as Special Educational Needs and Disability.

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

The Council recognises that good governance is underpinned by the standards and values of its Members and Officers. The standards and behaviour that is expected are clearly defined. The Council has an agreed standards framework for Members and Officers, which incorporates a local Code of Conduct; there continues to be a stand-alone Standards Committee and a new Member complaints procedure has been introduced which were approved by the Standards Committee, on 16th March 2017 (Paper No. 17-85). All these measures are designed to ensure that the current high level of standards is maintained.

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

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

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

Managing risks and performance through robust internal control and strong public financial management The Council's Constitution contains the specified items and the local decision-making process and scrutiny roles are adequately documented and operated effectively including ensuring that there is input into reports from all corporate professionals including both legal and financial advice.

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

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

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

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

The Audit Committee operates in accordance with the CIPFA guidance entitled '*Audit Committees – Practical Guidance for Local Authorities*'. The Committee normally meet 3 times a year and provide an independent assurance on the Council's governance arrangements. When they are not able to meet the relevant papers are circulated to all Members of the Committee for comment and then formally authorised under the provisions of Standing Order No.83.

REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

The Executive ensures that standards and performance levels are maintained through its performance management framework, 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 has approved the Council's Accounts for 2016/17 together with a report from the External Auditor. It has also considered the External Auditor's Annual Audit letter for 2016/17.

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

The Standards Committee. The standard of conduct by Members at Wandsworth remains very high with only a small number of complaints in the last decade and none during 2017/18 and it is anticipated that complaints will remain at a low level. The Council has a local Code for Members and retains a stand-alone 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 is finalising its service reviews following the commencement of the SSA and in the main the controls have been effective. The role of a Programme Board enabled oversight of key service changes and the work has progressed to the stage where this is no longer required.

There have been challenges with the introduction of a new Financial Management System however; Officers continue to work with the Provider to ensure that there is an effective control framework in place.

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 can be found using this link

<http://wbcvmod01/documents/s58917/Appendix%20C%20to%20Paper%20No.%2018-250%20-%20Draft%20AGS%202017-18%20WBC.pdf>), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) ICT Business Continuity Planning

The transition to making more services available on-line, and the need to ensure that core supporting systems operate effectively, sees the Council's dependency on IT systems continue to increase and with that a need to ensure resilience in service availability. This significance has increased further with the implementation of the SSA with LB Richmond as IT solutions now need to facilitate access from multiple sites.

To minimise cyber security threats and to support the efficient delivery of Council services the need to refresh IT security is constant. The Council's IT business continuity arrangements are being further consolidated as part of a two-year programme to enhance and consolidate the IT infrastructure arrangements across the SSA to meet the increased demands and commitments to provide increased on-line, real-time services for residents and service users combined with a move to cloud based or hosted systems to spread the risk of total service failure from a single incident. In addition the roll out of Office 365 will enhance flexibility across the shared workforce that requires effective remote working solutions from multiple sites.

(b) Devolved Management Organisations

In recent years many audits receiving Limited Assurance opinions related to Devolved Management Organisations (DMOs) with 5 of the 15 Limited Assurance Audits in 2017/18 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, human resources and procurement, which has resulted in a higher than average breach of controls. 1 of the 5 DMO Limited Assurance Audits relates 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 each year (last year 2 schools received a Limited Assurance audit and the previous year 9). This can involve partnership working as a member of task groups or liaising directly with school senior leaders, school governors and Children's Services Department 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 to minimise the risks and whilst improvements to internal control have been made, not all the procedures that have been put in place have always been followed. Significant changes to the way that Direct Payments are administered have been made over the last few months and Internal Audit will continue to work with the Department to further improve control.

(d) Data Security

The challenges to delivering effective data security management require constant review especially at a time when the key data protection legislation is changing with the need to ensure that systems and processes are compliant with GDPR. The implementation of the SSA added another dimension as the data security arrangements across both Councils needed to be aligned. The SSA is committed to achieving ISO27001 Certification across all services, full certification has been achieved across all Wandsworth sites and is being rolled out across Richmond sites during 2018.

Failure to act responsibly when handling personal data could place the Council at risk of significant financial penalties and reputational damage, should personal data be inappropriately disclosed or misused, whether deliberately or accidentally. The requirements of GDPR apply to all personal data sets used by the Council whether directly or through the engagement of third party/contracted data processors. The Council's ability to ensure lawful processing is exercised by third party/contracted data processors is applied through a combination of robust procurement controls and by service leads through contract management. The Council is reviewing and where necessary amending processes as part of a GDPR readiness plan that includes on-line training for all staff.

(e) Change Management

Since the SSA went live on 1st October 2016 there has been significant reviews of service delivery models with key changes to systems and personnel. These have been overseen by a Programme Board and with the majority of the key projects now being implemented the Board has been wound up and the projects deemed to be Business as Usual.

The Governance arrangements are now being reviewed to reflect any changes to service delivery functions and the Code of Governance will be revised once this process has been completed.

In October 2017 all staff were invited to take part in a survey to help the Council understand how the SSA could improve and gather ideas about how best the SSA can be moved forward. The results of this survey are published on The Loop together with action plans to address issues raised.

(f) OFSTED Inspection – Children’s Services

Following 7 monitoring visits by Ofsted, the Council’s services for children in need of help and protection and children looked after are being re-inspected from 8th to 25th May 2018. The inspection report will be published on 20th July, so a verbal report can be given to the Audit Committee on 24th July. The monitoring visits have reported progress against the actions set out in the Council’s Improvement Plan, including improved social work practice, strengthened management oversight and reduced risk to children. There have also been significant improvements in early intervention with the establishment of a new Early Help division in summer 2017, to reduce the number of children escalating to the point where they need statutory social care services. The number of children on a Child Protection Plan, for example, has fallen from a peak of 410 in July 2017 to around 280 in April 2018. The Council recognises that there is more work to be done to ensure consistency of practice, for example in the timeliness of assessments and for health checks of Looked After Children, but nonetheless a recent DfE Review concluded, “We agree with Ofsted’s view that significant progress has been made since the full Ofsted inspection of the authority”.

(g) Contract Monitoring

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

The risk of service disruption due to poor service delivery or contractor failure has been recognised with a new corporate risk specialist category of ‘Contract Management’ included within the Risk Management Strategy for 2018/19, thereby ensuring that Service Managers continually review their control arrangement and where appropriate take timely and effective intervention action. The effectiveness of contract management is also subject to review by Internal Audit.

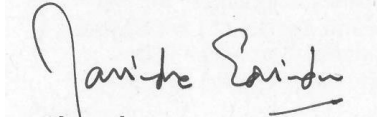
(h) Financial Management System

The first major combined SSA system and service outsource (Transactional Services) to be implemented was for the key financial systems. An ambitious target of April 2017 was set for full implementation of all elements. The nature and complexity of combining the needs of both new key financial systems and changed processes associated with the outsourcing of the transactional services for two authorities ultimately meant that some elements of the system were not fully implemented by this date (the accounts receivable process remained on the existing system for 2017 and the budget management system needed regular updates during the year and has now been re-written in a new version for 2018).

The challenges encountered in implementing all elements of the system functionality has impacted upon services with extensive delays in some contractor payments and backlogs of issues building up in the first half of 2017/18. Additionally, budget managers had to develop alternative budget monitoring spreadsheets to draw information from the main financial system and feeder systems to support effective budget management.

The delays in payments, income allocation, together with the reworking of budget management processes placed additional workloads upon existing staff and increased the risks around supplier, client and budget management. Officers have worked actively to support the Transactional Services supplier to improve this position throughout the year and support all elements of the agreed rectification plan, some of which will stretch into 2018/19.

Further specific work is planned by Internal Audit on both the system and the broader transactional services control framework during the coming year.



Signed:

Cllr Govindia

P Martin

Leader of the Council

Chief Executive

On behalf of Wandsworth Council

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

The period of time covered by the Accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than 1 year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of 1 or more uncertain future events not wholly within the Authority's Accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of 1 or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

Long-Term CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than 1 accounting period.

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for 1 year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

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

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS (INVENTORY)

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

TEMPORARY BORROWING

Money borrowed for a period of less than 1 year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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