

# **London Borough of Richmond upon Thames**

**Audited Accounts  
for the year  
2023/24**

**Audited  
24 February 2025**

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

## Contents

Narrative Report .....	3
Statement of Responsibilities .....	10
Comprehensive Income and Expenditure Statement .....	11
Balance Sheet.....	12
Movement in Reserves Statement .....	13
Cash Flow Statement .....	15
Note 1 - Accounting Policies .....	16
Note 2 - Accounting Standards Issued, Not Adopted .....	37
Note 3 - Critical Judgements in Applying Accounting Policies.....	37
Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty .....	38
Note 5 - Material Items of Income and Expense .....	40
Note 6 - Events After the Balance Sheet Date .....	41
Note 7 - Expenditure and Funding Analysis.....	42
Note 8 - Expenditure and Income Analysed by Nature .....	44
Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations .....	45
Note 10 - Transfers to/from Earmarked Reserves.....	47
Note 11 - Other Operating Expenditure .....	48
Note 12 - Financing and Investment Income and Expenditure .....	48
Note 13 - Taxation and Non-Specific Grant Income .....	48
Note 14 – Property, Plant and Equipment.....	49
Note 15 – Infrastructure Assets .....	52
Note 16 - Heritage Assets .....	53
Note 17 - Investment Properties .....	53
Note 18 - Financial Instruments.....	54
Note 19 – Debtors.....	55
Note 20 - Debtors for Local Taxation.....	55
Note 21 - Cash and Cash Equivalents.....	56
Note 22 - Creditors.....	56
Note 23 – Provisions .....	56
Note 24 - Usable Reserves .....	58
Note 25 - Unusable Reserves.....	59
Note 26 - Cash Flow from Operating Activities .....	62
Note 27 - Cash Flow from Investing Activities .....	63
Note 28 - Cash Flow from Financing Activities .....	64
Note 29 – Reconciliation of Liabilities from Financing Activities.....	64
Note 30 - Agency Services.....	64
Note 31 - Pooled Budgets .....	64
Note 32 - Members’ Allowances.....	66
Note 34 - External Audit Costs.....	70
Note 35 - Dedicated Schools Grant.....	70
Note 36 - Grant Income .....	72
Note 37 - Related Parties .....	74
Note 38 - Capital Expenditure and Capital Financing .....	76
Note 39 - Leases.....	76

Note 40 - Service Concession Arrangements.....	78
Note 41 - Nature and Extent of Risks Arising from Financial Instruments .....	82
Note 42 - Pension Schemes Accounted for as Defined Contribution Schemes .....	86
Note 43 - Defined Benefit Pension Scheme.....	87
Note 44 - Contingent Liabilities .....	92
Note 45 - Contingent Assets .....	92
Note 46 - Trust Funds.....	92
Note 47 - Home Loans Unit (HLU).....	93
Note 48 – Group Relationships.....	94
Collection Fund .....	96
Notes to the Collection Fund .....	98
Consolidated Group Accounts .....	99
Group Comprehensive Income and Expenditure Statement .....	100
Group Balance Sheet.....	101
Group Movement in Reserves Statement .....	102
Group Cash Flow Statement .....	103
Independent Auditor’s Report to Members of London Borough of Richmond upon Thames .....	104
Annual Governance Statement 2023/24 .....	108
Glossary.....	120

## Narrative Report

### **Introduction**

This is the Statement of Accounts of the London Borough of Richmond upon Thames (LB Richmond) for the financial year 2023/24. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which in turn is underpinned by International Financial Reporting Standards. This means that the accounts are prepared on the same basis as the rest of the local authorities and central government in the United Kingdom. This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow, as well as giving information as to how the Council will develop over the next few years.

This document comprises three key areas:

- The single entity Statement of Accounts of LB Richmond.
- The consolidated Group Accounts of LB Richmond.
- The Collection Fund Accounts.

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

<b>Core Statement</b>	<b>Purpose/relationship with other statements</b>
Comprehensive Income and Expenditure Statement	This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Principles (GAAP), 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 GAAP 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**

LB Richmond is focused on providing a range of excellent services and delivering against local priorities. The Council’s vision is to become an engaging, open, and innovative Council – one that has better local schools, is safer and greener, one that is fair and affordable for all.

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

Each year the Council sets out its priorities for achievement in its Corporate Plan. Over the period to 2026 these are:

<p><u>A Greener Borough</u></p> <ul style="list-style-type: none"> <li>• Continue to tackle the climate emergency, protecting our green spaces and putting the environment and sustainability at the heart of everything we do</li> <li>• Supporting residents to make long lasting behaviour changes so everyone can play a part in protecting our local environment</li> </ul>
<p><u>A Safer Borough</u></p> <ul style="list-style-type: none"> <li>• Working in partnership with police and local communities to prevent and tackle crime and remain the safest borough in London</li> <li>• Look beyond crime, to tackle violence against women and girls, water safety, fire safety and road safety</li> </ul>
<p><u>A Fairer Borough</u></p> <ul style="list-style-type: none"> <li>• Support residents through the cost of living crisis and ensure Richmond is affordable for everyone to live here</li> <li>• Keep listening to residents and putting their needs at the heart of decision making, in particular making sure we hear the voices of those struggling the most</li> </ul>

Progress on these programmes is reported to our Committees on a quarterly basis. We will also report against the measures set out in this plan in our Quarterly Performance Reports to our Committees. This information is published on the website here:

[https://www.richmond.gov.uk/media/2dzd0bha/corporate\\_plan.pdf](https://www.richmond.gov.uk/media/2dzd0bha/corporate_plan.pdf)

**Operational Model**

The Council delivers some services itself, commissions others to provide some services on its behalf and 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. It works in partnership with a range of different organisations to plan services that are joined up across the Borough including the Richmond Partnership, Health and Wellbeing and Community Safety. 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 five directorates:

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

Children's Services are provided by Achieving for Children (AfC), a community interest company owned by LB Richmond and the Royal Borough of Kingston Upon Thames and, since August 2017, the Royal Borough of Windsor and Maidenhead.

The Council operates a Shared Staffing Arrangement (SSA) with Wandsworth Council. The arrangement commenced on 1 October 2016, creating a single staffing structure across the two boroughs, and has already delivered substantial savings to preserve front-line services. The SSA has created one of the largest staff groups in local government, which will enable the two councils to retain quality, specialisms and expertise which are more sustainable in a larger organisation. However, Richmond and Wandsworth Councils continue to be separate sovereign bodies with their own elected Councillors, Cabinets and Leaders, maintaining their distinct identities and retaining the ability to develop policies and priorities that matter to their local residents.

### **Risks and Opportunities**

The Audit, Standards and Statutory Accounts 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 the Council's key risks and mitigating controls will be presented to the Committee in July 2024 can be found here:

<https://cabnet.richmond.gov.uk/documents/s500010547/Annual%20Review%20of%20Risk%20Management.pdf>

### **Cost of Living and inflation**

In response to cost of living pressures, the Council has set aside £4.5m in an Emergency Funding Reserve since 2022/23 to assist residents and businesses during the crisis. An update paper reported to committee in February 2024 shows a number of initiatives that provide support:

<https://cabnet.richmond.gov.uk/documents/s500009901/7%20Cost%20of%20Living%20Support%20Update%20-%20Final.pdf>.

To the end of March 2024, £2.326m of this funding has been allocated, of which £1.207m was spent in 2023/24. In addition, the Council has maximised its use of the Government's Household Support Fund grant, spending in full its allocation of £1.672m of Household Support Fund (tranche 4) to the end of March 2024. Further plans are in place to continue this cost of living related work in 2024/25 with an additional allocation of £0.836m in Household Support Fund (tranche 5) covering April to September 2024.

### **Future funding**

A key risk affecting the Council relates to its financial position. In common with the rest of local government, the Council has seen a reduction in its core funding in recent years. However, LB Richmond, already characterised by historic low levels of Government funding, has been one of the worst hit authorities over this period and is one of the few boroughs

potentially affected by the Government's proposal to introduce negative Revenue Support Grant (removed for 2019/20 to 2024/25 but uncertainty remains for future years) i.e. a further loss of funding to the Council. In addition, the Government's "Fair Funding" review of its national distribution formulae adds further uncertainty to the Council's financial outlook (although now further postponed until the next Parliament). In addition, the Government intends to review the way integrated health/ social care is funded and again the timing and detail of this remains unclear. The Council will continue to engage with Government on consultations to ensure the best possible outcomes for the Borough. The Council has for the first time in 2024/25 benefited from a funding guarantee grant to ensure grant funding increased by at least 4% between years.

In addition to this, the long term future of business rates income is particularly uncertain. Increasing government intervention in the business rates system in recent years suggests it is a less certain funding source for local government going forward.

### **Increase in demand for services**

Demand led budgets remain an issue for many services, particularly children's and adult social care and homelessness and their unpredictability poses a challenge for forward financial planning. There is also pressure (in particular in relation to the high needs funding block) on the Dedicated Schools Budget (DSB) which funds schools. The Council's General Fund currently holds the funding risk where grant funding for schools proves insufficient to meet statutory requirements. The Council and the Department for Education have reached an agreement of additional 'safety valve' funding over a five-year period to support the write off of the cumulative Dedicated Schools Grant (DSG) deficit. The Council has also set aside an amount within the Financial Resilience Reserve to match the current deficit level in order to mitigate against future pressures in this area. Government funding and a contribution from the General Fund has enabled the DSG to move into surplus at the end of 2023/24 although pressures still remain.

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 on the Council's website at:

[202409 MTFS Final.pdf \(richmond.gov.uk\)](#)

This version was presented to the Finance, Policy and Resources Committee for approval in September 2024, providing an update on the anticipated funding and expenditure pressures and the latest position on inflation.

### **Performance**

The Corporate Plan sets out the Council's priorities for the year ahead and measures success against those priorities. The Council's strategic projects and programmes are monitored monthly to ensure they are delivering to time and on budget and that the intended outcomes and benefits are achieved. Progress on these programmes is reported to Members on a quarterly basis.

The Council also reports against the measures set out in this plan on an exception basis, in quarterly performance reports to Committees. Where the Council is not on track it outlines the actions being taken to ensure targets are met. This information is published on the Council's website at the following link:

[https://www.richmond.gov.uk/council/how\\_we\\_work/council\\_performance](https://www.richmond.gov.uk/council/how_we_work/council_performance).

## **Financial Performance**

Before central items the Council recorded a net General Fund overspend in 2023/24 of £4.124m and an in-year deficit in the DSB of £1.814m relating to ongoing pressures around special education needs spend. Within the General Fund there were over and underspends across the Directorates, reflecting the wide range of services provided. Further details of service related outturn figures will be published in the Council's outturn report and reported to the Finance, Policy and Resources Committee on 24 June 2024.

The overall position broken down against each service committee is set out below:

<b>GENERAL FUND</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Committee</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult Social Services, Health and Housing	65,749	68,463	2,714
Education and Children's Services	47,187	49,940	2,753
Environment, Sustainability, Culture and Sports	32,639	33,678	1,039
Finance, Policy and Resources	33,787	33,055	(732)
Transport and Air Quality	(4,816)	(6,466)	(1,650)
<b>Total Service Expenditure</b>	<b>174,546</b>	<b>178,670</b>	<b>4,124</b>
Central Items	(22,123)	(25,087)	(2,964)
<b>Total</b>	<b>152,423</b>	<b>153,583</b>	<b>1,160</b>

## **Revenue Reserves**

The Council's General Fund Reserve has reduced by £0.704m. This includes a planned drawdown of £0.611m to fund carry forward budgets from 2022/23, as well as additional expenditure for highways improvements of £0.4m approved in the outturn report last year. The reserve has been topped up by the £0.307m carry forward of budgets from 2023/24 to enable the completion of projects and which will be funded from this reserve in 2024/25. Excluding this, the General Fund Reserve will be £10.755m which represents 5.7% of the Council Budget Requirement for 2024/25 and is within the guidelines of 5-10% as agreed by the Council.

Individual schools' reserves have decreased by £0.479m. Following the improvement to a surplus of the Dedicated Schools Grant Reserve, the contingency within the Financial Resilience Reserve for this deficit has been correspondingly adjusted, leading to a greater "other" balance within the Financial Resilience Reserve.

£1.207m of the Emergency Funding Reserve has been spent in-year for cost of living related projects and, during the year, there has been a top up of £1.5m from the Financial Resilience Reserve. An estimated £1.6m of this balance is already earmarked for spend in 2024/25. In addition, the Invest to Save Reserve has been used to fund the Council's extensive Change Programme, with £0.722m having been drawn from this reserve in-year.

## **Capital**

The Council has spent £40.122m on the capital programme in 2023/24. This is detailed in the table below.



<b>Committee</b>	<b>Revised Budget £000</b>	<b>Outturn £000</b>	<b>Slippage / amendments £000</b>
Adult Social Services, Health and Housing	10,293	8,579	(1,714)
Education and Children's Services	7,500	8,560	1,060
Environment, Sustainability, Culture and Sports	1,418	1,235	(183)
Finance, Policy and Resources	16,010	6,786	(9,224)
Transport and Air Quality	16,137	14,962	(1,175)
<b>Total 2023/24</b>	<b>51,358</b>	<b>40,122</b>	<b>(11,236)</b>

The Council carried out a review of the existing capital budget during 2023/24 which was reported to Committee as part of the capital programme and funding review in February 2024 and updates its capital budget in line with the latest projections at each monitoring report each quarter. Despite this there has continued to be some slippage in the projected cashflows, more work will be undertaken in 2024/25 to seek to improve this position.

## Pensions

The latest triennial valuation was at 31 March 2022. Richmond has been a scheduled body in the Wandsworth Council Pension Fund (the Fund) since October 2016. As at 31 March 2024 the Fund has changed from having a net asset (surplus) of £73.455m to a net liability (deficit) of £14.309m. This figure is LB Richmond's share of pensions liabilities, so includes Richmond's share of the SSA staffing liabilities as well as pre-SSA costs of council staff.

Any changes to the Fund's surplus or deficit is largely attributable to complex external factors and is heavily dependent on the assumptions made by the Fund's actuary who values the Fund and provides an estimate in this case of the shortfall in funds available to the Fund to meet all of its liabilities. Reasons for this decrease in 2023/24 include changes in demographic assumptions for both current and future pensioners, changes in financial assumptions which include a decreased discount rate increasing the net present value of projected liabilities, offset by increased investment returns. In addition, there has been an accounting adjustment under International Accounting Standard 19 (IAS 19) for the prudent treatment of surplus' in pensions funds. This adjustment is known as an 'asset ceiling' adjustment and further explanation can be found in Note 43 of the Accounts.

## Current borrowing facilities and capital borrowing

The Council increased its underlying need to borrow (Capital Financing Requirement) by £8.575m during the year to £174.711m. This increase represented part funding for £25.294m of capital spend incurred during the year. The Council's actual borrowing decreased from £120.956m at 31 March 2023 to £115.619m in March 2024. This is due to no new borrowing being taken in 2023/24 and repayment of principal elements of borrowing. Details of the Council's capital programme and treasury strategy are reported to Committee every February. These reports give further information on the nature of the capital spend being financed and the decision-making process around how and when to borrow for capital purposes. The February 2024 reports are available on the following link at items 83 and 96: <https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CIId=801&MIId=500000114>

## Internal and external funds to meet capital and PFI costs

The Council sets a six-year capital programme every February, detailing the current and next five years of planned capital spend. This includes how expenditure will be financed, and the

relevant prudential indicators required to enable the Council to ensure all capital borrowing is affordable, sustainable, and prudent. The capital programme totals £228.994m over a six-year period.

The Council has two Private Finance Initiative (PFI) projects and recognises £11.031m of long term liability as funding for the care homes and schools' assets acquired under these contracts.

There are further financing leases which relate to vehicles and buildings, with an associated long term liability of £3.234m.

## **Outlook**

The Council faces a range of issues which challenge its financial position, namely:

- The ongoing impact of high inflation levels experienced in 2022/23 continues to put pressure on Council budgets. Although inflation levels have now lowered to more 'normal' levels, the base costs remain high with continued cost pressures across the organisation in direct salary costs, utility costs and through suppliers.
- Demand led budgets – these remain an issue for many services, particularly adults' and children's social care and homelessness and their unpredictability poses a challenge for forward financial planning.
- Uncertainty around central government funding, which is unlikely to keep pace with inflation also makes the future financial outlook more challenging. The removal of 'negative Revenue Support Grant' (RSG) since 2020/21 avoided the loss of £7.7m of income in 2023/24 for Richmond. Whilst the removal of negative RSG has continued in 2024/25, the Government has yet to indicate whether this is permanent, and single year local government finance settlements continue to hamper considered long term planning.
- These increase the need for efficiency savings to be achieved. Further detail on all these aspects are outlined in the Council's Medium Term Financial Strategy, presented to the Finance, Policy and Resources Committee in September 2024.

## Statement of Responsibilities

### Responsibilities of the Council

The Council is required to:

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

### Responsibilities of the Executive Director of Finance

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

In preparing the Statement of Accounts, the Executive Director of Finance has:

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

The Executive Director of Finance has also:

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

### Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Richmond upon Thames as at the 31 March 2024 and its income and expenditure for the year ended 31 March 2024.



**Fenella Merry**  
**Executive Director of Finance**  
**24 February 2025**

**Date authorised for issue:** This Statement of Accounts is authorised for issue on 24 February 2025 and any events up to this date are reflected in the note Events after the Balance Sheet date. This Statement of Accounts replaces the unaudited version authorised for issue on 7 June 2024.

## Comprehensive Income and Expenditure Statement

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

2022-23				2023-24		
Expenditure £000	Income £000	Net £000	Notes	Expenditure £000	Income £000	Net £000
113,777	(48,257)	65,520		128,212	(56,658)	71,554
217,670	(166,776)	50,894		234,670	(176,316)	58,354
43,946	(24,301)	19,645		44,303	(21,817)	22,486
22,768	(21,335)	1,433		23,802	(23,962)	(160)
90,384	(58,211)	32,173		95,588	(59,319)	36,269
<b>488,545</b>	<b>(318,880)</b>	<b>169,665</b>		<b>526,575</b>	<b>(338,072)</b>	<b>188,503</b>
13,162	0	13,162	11	8,784	(935)	7,849
30,685	(30,927)	(242)	12	35,464	(49,799)	(14,335)
0	(198,690)	(198,690)	13	0	(199,110)	(199,110)
<b>532,392</b>	<b>(548,497)</b>	<b>(16,105)</b>		<b>570,823</b>	<b>(587,916)</b>	<b>(17,093)</b>
		(25,886)	14			21,102
		(236,144)	43			96,235
		<b>(262,030)</b>				<b>117,337</b>
		<b>(278,135)</b>				<b>100,244</b>

## Balance Sheet

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

31 March 2023			31 March 2024	
£000	Notes			£000
991,073	14, 15	Property, Plant and Equipment		980,849
3,543	16	Heritage Assets		3,515
15,071	17	Investment Property		16,705
0		Intangible Assets		25
0	18	Long-Term Investments		0
21,072	18	Long-Term Debtors		20,303
<b>1,030,759</b>		<b>Long Term Assets</b>		<b>1,021,397</b>
82,086	18	Short-Term Investments		61,674
15		Inventories		33
71,713	19	Short-Term Debtors		88,223
53,832	21	Cash and Cash Equivalents		42,227
<b>207,646</b>		<b>Current Assets</b>		<b>192,157</b>
(6,916)	18	Short-Term Borrowing		(4,633)
(70,489)	22	Short-Term Creditors		(67,891)
(4,082)	23	Provisions		(3,259)
(3,706)	36	Grants Receipts in Advance - Revenue		(2,662)
(1,744)	36	Grants Receipts in Advance - Capital		(1,744)
<b>(86,937)</b>		<b>Current Liabilities</b>		<b>(80,189)</b>
(311)	18	Long-Term Creditors		(307)
(561)	23	Provisions		(84)
(114,041)	18	Long-Term Borrowing		(110,986)
57,222		Other Long-Term Liabilities		(28,574)
(4,502)	36	Donated Assets		(4,502)
(2,375)	36	Grants Receipts in Advance - Capital		(2,256)
<b>(64,568)</b>		<b>Long Term Liabilities</b>		<b>(146,709)</b>
<b>1,086,900</b>		<b>Net Assets</b>		<b>986,656</b>
(176,671)	24	Usable Reserves		(179,268)
(910,229)	25	Unusable Reserves		(807,388)
<b>(1,086,900)</b>		<b>Total Reserves</b>		<b>(986,656)</b>

*Fenella Merry*

Fenella Merry, Executive Director of Finance 24 February 2025

## Movement in Reserves Statement

The Movement in Reserves (MiRS) Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority'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 (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Notes</i>	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2023</b>	<b>(11,767)</b>	<b>(128,456)</b>	<b>(973)</b>	<b>(35,475)</b>	<b>(176,671)</b>	<b>(910,229)</b>	<b>(1,086,900)</b>
Surplus or deficit on the provision of services	(17,093)				(17,093)		(17,093)
Other Comprehensive Income / Expenditure						117,337	117,337
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,093)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,093)</b>	<b>117,337</b>	<b>100,244</b>
Adjustments between accounting basis and funding basis under regulations	15,794		244	(2,312)	13,726	(13,726)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(529)</b>	<b>0</b>	<b>244</b>	<b>(2,312)</b>	<b>(2,597)</b>	<b>102,841</b>	<b>100,244</b>
Transfers to / from Earmarked Reserves	1,233	(1,233)			0	0	0
<b>Increase or Decrease in 2023-24</b>	<b>704</b>	<b>(1,233)</b>	<b>244</b>	<b>(2,312)</b>	<b>(2,597)</b>	<b>102,841</b>	<b>100,244</b>
<b>Balance at 31 March 2024</b>	<b>(11,063)</b>	<b>(129,689)</b>	<b>(729)</b>	<b>(37,787)</b>	<b>(179,268)</b>	<b>(807,388)</b>	<b>(986,656)</b>

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un- applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	<i>Notes</i>	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>		<b>(12,162)</b>	<b>(114,690)</b>	<b>(5,546)</b>	<b>(33,872)</b>	<b>(166,270)</b>	<b>(642,495)</b>	<b>(808,765)</b>
Surplus or deficit on the provision of services	<i>CIES</i>	(16,105)				(16,105)		(16,105)
Other Comprehensive Income / Expenditure	<i>CIES</i>						(262,030)	(262,030)
<b>Total Comprehensive Income and Expenditure</b>		<b>(16,105)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,105)</b>	<b>(262,030)</b>	<b>(278,135)</b>
Adjustments between accounting basis and funding basis under regulations	<i>9</i>	2,734		4,573	(1,603)	5,704	(5,704)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>(13,371)</b>	<b>0</b>	<b>4,573</b>	<b>(1,603)</b>	<b>(10,401)</b>	<b>(267,734)</b>	<b>(278,135)</b>
Transfers to / from Earmarked Reserves	<i>10</i>	13,766	(13,766)			0		0
<b>Increase or Decrease in 2022-23</b>		<b>395</b>	<b>(13,766)</b>	<b>4,573</b>	<b>(1,603)</b>	<b>(10,401)</b>	<b>(267,734)</b>	<b>(278,135)</b>
<b>Balance at 31 March 2023</b>		<b>(11,767)</b>	<b>(128,456)</b>	<b>(973)</b>	<b>(35,475)</b>	<b>(176,671)</b>	<b>(910,229)</b>	<b>(1,086,900)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2022-23			2023-24
£000	Notes		£000
(16,105)		Net (surplus) or deficit on the provision of services	(17,093)
29,667		Adjustment to surplus or deficit on the provision of services for noncash movements	14,353
23,921		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	20,113
<b>37,483</b>	<b>26</b>	<b>Net cash flows from operating activities</b>	<b>17,373</b>
(25,727)	<b>27</b>	Net cash flows from investing activities	(14,904)
(19,407)	<b>28</b>	Net cash flows from financing activities	9,136
<b>(7,651)</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>11,605</b>
46,181		Cash and cash equivalents at the beginning of the reporting period	53,832
<b>53,832</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>42,227</b>



## Note 1 - Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its year end position at 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Amendment) Regulations 2022. These regulations also require that the Accounts be prepared in accordance with proper accounting practices which are supported by the International Financial Reporting Standards (IFRS) These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code).
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC).
- Relevant statutory guidance issued by Government.

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

### 1.2 Going Concern

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

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

The Council has undertaken cash flow modelling through to March 2026 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum headroom more than £55m as at 31 March 2025 and £40m as at 31 March 2026.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, twelve months from 24

February 2025. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £82m at 24 February 2025 and the overall limit for total borrowing under the Treasury Management Policy 2023/24 of up to £146m and 2024/25 of up to £160m. Long term external borrowing was £111m as at 24 February 2025 with no new long term borrowing taken in year. This demonstrates that the Council has sufficient liquidity over the going concern through to 31 March 2026.

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

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

#### Income

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

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

#### Expenditure

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

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

#### Interest

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

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

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

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

#### Utility payments

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

time and cost necessary to accurately estimate consumption figures for the numerous cost centres affected.

#### Income from Penalty Charge Notices (PCNs)

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

#### De Minimis levels

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year end to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and was set at £10k for 2023/24.

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

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

#### Revenue from contracts with service recipients

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

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

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

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

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

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

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

### **1.4 Cash and Cash Equivalents**

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

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

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

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

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

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

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

### **1.6 Exceptional Items**

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

Materiality may be affected by the context and fluctuations of the economy i.e. changes in inflation.

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. IAS 8 includes the requirement to disclose, if retrospective restatement is impractical for a particular prior

period, the circumstances that led to the existence of that condition and description of how and from when the error has been corrected. There may be £1k difference between prior year comparators and published accounts due to roundings.

## **1.8 Charges to Revenue for Non-Current Assets**

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

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

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

## **1.9 Employee Benefits**

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and any non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable as at 1 April 2024 being the start of the year in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable because of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are generally charged on an accruals basis in the CIES if detailed notification of redundancy has been issued before 31 March (see accounting Policy 1.28). Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

## Post-Employment Benefits

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

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

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. Education and Children's Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The relevant service line(s) in the CIES are charged with the employer's contributions payable to NHS Pensions in the year.

## The Local Government Pension Scheme

Following the passing of the Local Government Pension Scheme (Wandsworth and Richmond Fund Merger) Regulations 2016 – SI 2016/1241, LB Richmond is no longer an administering authority of the LGPS.

The Council is now a scheduled employer in the Wandsworth Council Pension Fund and Wandsworth Council is the administering body for that Fund. The Wandsworth Council Pension Fund Accounts are presented in Wandsworth Council's Statement of Accounts only on this basis. The new merged Fund provides the same benefits to members and employers as all other LGPS Funds.

For the 2023/24 accounts, to allow for a faster closing period, the Council will receive pension data from the Actuary to the end of February with an estimate made for March.

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

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on 20 year gilts adjusted for credit spread.

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

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.
- Infrastructure – professional estimate.
- Private Debt – professional estimate.
- Bonds – market value.

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

- Service cost comprising:
  - o 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.
  - o 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.
  - o Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES.
- Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the CIES.
- Re-measurements of the net defined benefit liability (asset) comprising:
  - o Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has occurred) and b) the effects of changes in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - o The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Wandsworth Council Pension Fund – cash paid as employer's and employees' contributions to the pension fund in settlement of liabilities.
- Benefits Paid (payments to discharge liabilities directly to pensioners) – a charge to the Pension Fund, reimbursed from the Council where there are unfunded discretionary benefits.

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

## Discretionary Benefits

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

### **1.10 Fair value measurement**

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

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

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

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

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

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

## **Financial Instruments**

### Financial Liabilities

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

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



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

### Financial Assets

Financial assets are generally classified into two types:

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

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

### Amortised Cost

Assets at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Where assets are identified as impaired because of an expectation that future cash flows might not take place because the borrower could default on their obligations under the contract, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. An assessment of credit risk is crucial in measuring any losses.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Fair Value through Profit and Loss

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

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

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

Changes in fair value are recognised in the Surplus or Deficit on the Provision of Services as they arise in the Financing and Investment Income and Expenditure line in the CIES. For Pooled Investment Funds the Government has introduced a regulation to mitigate the effects of changes in fair value on the Council Tax payer for a period of 7 years from 1 April 2018 (IFRS 9 override). Changes in fair value are therefore transferred from the CIES to the Pooled Investment Funds Adjustment Account, established solely for this purpose on the Balance Sheet.

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

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

#### Expected credit loss model

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The authority assesses small value similar loans as a group to avoid undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis.

#### Foreign Currency Translation

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

### **Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that

specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

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

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

### **1.11 Community Infrastructure Levy**

Community Infrastructure Levy (CIL) is a planning charge available to local authorities in England and Wales which was introduced by the Planning Act 2008 and came into force on 6 April 2010. The Council has collected Mayoral CIL on behalf of the Greater London Authority since 2014. CIL collected on behalf of other bodies is treated as an agency transaction and as such only the net cost of administration will be reported in the Council's accounts. The actual amount collected and paid over will not be reported as income and expenditure of the Council but will instead be reported as part of the levying body's accounts. Deductions are made from the CIL collected in year to fund the costs incurred for administration of the levy, with the remainder retained and applied as and when required for expenditure on infrastructure assets.

#### **1.11a Heritage Assets**

The Council is required to report on and separately identify Heritage Assets on its Balance Sheet. Heritage Assets can be tangible or intangible and are defined as assets with historical, cultural, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

##### Recognition

The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. If the cost of obtaining a valuation is assessed as being disproportionate to the benefit of the user, the existence of the asset will be disclosed in the notes to the accounts along with relevant information. The de minimis levels applied to all Non-Current Assets will be applied to this asset class. Heritage Assets that do not meet the de minimis criteria are not disclosed in the Council's Accounts.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment rather than as a Heritage Asset.

##### Measurement

Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment if they meet the definition of this asset class. Where they do not fall into this

category, they will be valued in line with the insurance valuation. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment (please see section on Property Plant and Equipment). Heritage Assets with an indefinite life will not be subject to annual depreciation.

The proceeds on the disposal of Heritage Assets are accounted for in accordance with the Council's policies relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **1.12 Intangible Assets**

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

### **1.16 Inventories**

The Council recognises all inventories (stock) that have a value over £10,000 as at 31 March 2024. The Council initially recognises inventory when it has control of it and when it expects to have a right to the future economic benefits/service potential. All inventories are measured at the lower of cost or net realisable value. Where there are large numbers of items of inventory that are ordinarily interchangeable, the Council uses either first-in, first-out (FIFO) or the weighted average cost method of stock measurement.

### **1.17 Investment Property**

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

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

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

Investment Properties have been valued by the Council's valuation contractor and categorised as Level 2 under the fair value hierarchy and recurring using significant observable inputs. The valuations have been based upon the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Typical valuation inputs include:

- Market rental and sales values.
- Yields.
- Void and letting periods.
- Size, configuration, proportions and layout.
- Location, visibility and access.
- Condition.
- Lease covenants.
- Obsolescence.

### **1.18 Revenue Expenditure Funded from Capital under Statute**

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

### **1.19 Leases**

IFRS 16 (Leases) for local authority implementation was deferred until 1 April 2024. The Council did not voluntarily implement the standard early. In the 2023/24 Accounts therefore, leases are still classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Council has estimated the impact of implementation of IFRS 16 in Note 2.

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

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

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

### The Council as Lessee

#### Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds (Minimum Revenue Provision) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the CAA in the MiRS for the difference between the two.

#### 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 Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the CRR in the MiRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the MiRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the CRR.

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 therefore appropriated to the CAA from the General Fund balance in the MiRS

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

## **1.20 Property, Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but not less frequently than every 5 years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired. The Council's freehold and leasehold properties have been valued by the external valuers identified below.

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



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

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

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

### Impairment

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

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

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

### Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Operational property assets – straight-line allocation over the useful life of the property as estimated by the valuer
- HRA Assets – depreciated based on the componentised weighted remaining useful life of beacon properties.
- Vehicles, plant and equipment – straight-line allocation over expected life of the asset as estimated by a suitably qualified officer on acquisition.
- Infrastructure – straight-line allocation over 20 years.

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

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

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to Government. The balance of receipts is required to be credited to the CRR and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS.

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

## **1.21 Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

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

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

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

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **1.22 Reserves**

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

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

## **1.23 VAT**

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

## **1.24 Accounting for schools**

### Revenue Income and Expenditure

The Council includes all revenue income and expenditure and resulting assets and liabilities (e.g. debtors, creditors, reserves etc.) arising from maintained schools as part of its

Accounts. Revenue income and expenditure incurred by Academies and Free schools are not consolidated into the Council's Accounts (as they are directly funded from the Government).

### Capital

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

## **1.25 Council Tax and Business Rates**

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

### Accounting for Council Tax and Business Rates

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

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

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

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

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

### **1.27 Long Term Contracts**

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

### **1.28 Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

### **1.29 Redundancy Costs**

The Council raises a provision for redundancy costs when communication of the decision to involved parties has been made, therefore giving a valid expectation that closure of employment will take place. If a detailed notification of redundancy has been issued before 31 March but the amount has not yet been paid, a liability is recognised in the accounts as an accrual.

### **1.30 Infrastructure Assets**

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

## Note 2 - Accounting Standards Issued, Not Adopted

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

IFRS 16 (Leases) will require local authorities to recognise assets on their Balance Sheet where any contract gives rise to a 'right of use asset'. Currently, a distinction exists between operating and finance leases for lessees. Finance leases are accounted for as acquisitions (asset on the Balance Sheet) and operating leases are expensed in year therefore are not currently required to be reported on lessee balance sheets. IFRS 16 largely removes this distinction unless it is a short term (12 months or less) or low value contract. For lessors, the reporting requirements are largely unchanged as under the revised IFRS 16 there is still a distinction between operating and finance leases. The implementation of IFRS 16 has been deferred until 1 April 2024 and the Council did not voluntarily adopt the standard early.

Work has been undertaken to evaluate leases and contracts to establish the effect of IFRS 16 when in operation. Initial evaluations indicate that an estimated £13.2m would be added to the Council's Balance Sheet in 2024/25 as long term assets (i.e. operational leases in now treated as finance leases in). The Council has assumed at this stage private sector landlord tenancies fall under IFRS 16 and this accounts for £5.6m of this overall estimate. This would be shown on the Balance Sheet under the category of Property Plant and Equipment (PPE). The Council has identified no leases as sale and leaseback arrangements.

All other accounting changes introduced by the 2024/25 Code either are expected to not affect the Council or are presentational.

## Note 3 - Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has made certain judgements about transactions, relationships, and uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty around the future funding for local government. In addressing the future risks that arise from this uncertainty the Council believes there are no indications that assets need to be impaired as a result of a need to close facilities and reduce levels of service provision.

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

### Orleans House Trust

The Council has a Trust, Orleans House Trust, that controls donated assets comprising of a historic building, adjacent properties, and an extensive art collection. During 2013/14 an on-going agreement was put in place between the Council and the Trust which records both parties' respective responsibilities in relation to their common purpose. The Trust continues to be assessed as a Subsidiary and has been included in the Council's consolidated Group Accounts on this basis.

## Achieving for Children

During 2013/14, the Council and RB Kingston set up the community interest company Achieving for Children (AfC) which provides their Children's Services. From August 2017 RB Windsor and Maidenhead joined the company with respective shares now being 40% for both LB Richmond and RB Kingston, and 20% for RB Windsor and Maidenhead. The aim of AfC continues to be focused on providing high quality frontline services by creating economies of scale and reducing management and overhead costs. All three councils have control over the company and as such it is judged that the company is still a Joint Venture and consolidated Group Accounts continue to be presented in these Accounts.

AfC has been assessed as a going concern. A loss of £4.4m has been reported in 2023/24 compared to £73.1m profit in 2022/23. The difference between years is due to re-measurement of the pension liability under IAS 19. AfC have reported a trading profit for 2023/24 of £2.4m (£11.7m trading loss in 2022/23). Despite the accounting losses reported, AfC's Board and Leadership Team have made significant progress in identifying how these financial challenges will be met and continue to develop these plans. AfC's Medium Term Financial Strategy outlines these financial plans in more detail and addresses what actions are being taken to reduce the Company's cost base to accommodate proposed reductions in the constituent council's contract price over the next three years. AfC will revise pension contributions in line with the most up to date actuarial assessment and guidance. The increased cost is fully funded under the contracts with the Councils as they represent an unavoidable cost of delivering children's services.

AfC's Balance Sheet includes a net pension liability of £7.5m (£1.6m in 2022/23). The majority of AfC's employees are members of the LGPS which is a defined benefit scheme. When AfC started trading on 1 April 2014, the majority of its staff transferred their employment from the Council into AfC under TUPE, which included transferring their membership of the LGPS to AfC. AfC is an employer in the LGPS scheme; within the two pension funds administered by RB Kingston and Wandsworth Council.

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

Under the SSA many costs (largely staff costs) are shared between the two councils. Generally, the amounts charged to each council continue to be calculated by service area and apportioned according to each council's requirement for the SSA. A schedule is prepared and reviewed annually and details the apportionment (and methodology) of the shared costs. Full details on the basis for sharing costs was approved by the Council in May 2016 and can be found at the following link at Item 85a Appendix 1 IAA:

<https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CIId=173&MIId=3930&Ver=4>.

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

## 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. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As

the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

#### Non-Current Assets

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls. A 1% increase in depreciation has an impact of £0.1m.

As at the valuation date (31 March 2024), the pandemic has ceased to be a public health emergency and property markets are functioning again. However, the continued higher Bank Rate through 2023/24 to try and reduce high inflation has continued to impact the property market. The Council's external valuers (Wilks Head & Eve) have used substantial transaction volumes and other reliable market evidence to provide reliable asset valuations.

The Council's external valuer is not aware of any specific impact to the value of assets within the portfolio. For the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. Notes 14 and 15 provide further information on Property, Plant and Equipment and Note 17 on Investment Property.

#### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex estimates that include:

- the discount rate used
- the projected rate of increase for salaries and pensions
- changes in retirement ages
- changes in mortality rates
- expected returns on investment assets.

The Council's actuary provides advice on these estimates. The effect of changes in individual assumptions can be measured, but the assumptions interact in complex ways. The Council takes advice from its actuary regarding appropriate assumptions and relies on its actuary for the calculations of their effects.

For 2023/24, the Council's Actuary has reported a change from net pensions asset of £73.5m to a net liability of £14.3m. Reasons for this decrease in 2023/24 include changes in demographic assumptions for both current and future pensioners, changes in financial assumptions which include a decreased discount rate increasing the net present value of



projected liabilities, offset by increased investment returns. In addition, there has been an accounting adjustment under International Accounting Standard 19 (IAS 19) for the prudent treatment of surplus' in pensions funds. This adjustment is known as an 'asset ceiling' adjustment and further explanation can be found in Note 43.

### Arrears

At 31 March 2024, the Council had a balance of £23.2m in respect of sundry debtors. Of this debt £4.2m is with Government bodies, NHS bodies, schools and other local authorities. These are considered as having little or no risk. The remaining debt with commercial bodies and individuals is £18.9m.

There is impairment for doubtful debts of £3.9m. This allowance is regarded as adequate considering historic and recent recovery levels and the current economic climate; any future adverse economic or financial events could impact on the collection of debts. If collection rates were to deteriorate significantly below levels assumed in estimating an impairment allowance, additional amounts may need to be set aside.

### Provisions

At 31 March 2024, the Council had an insurance provision of £0.3m (£0.7m in 2022/23) based on claims lodged with, and values estimated by, the Council's insurer. The Council is responsible for funding claims up to high levels of excesses. In doing this, a provision is made for claims outstanding 31 March which are more likely than not to be settled. The Council takes the expert advice in the form of a regular insurance actuarial review of the self-insurance balances to ensure they are sufficient. The total balances at the end of 2023/24 are £4.8m.

### Interest Rates

The Council has borrowing of £115.6m and investments of £101.0m at 31 March 2024. No new external borrowing has been taken by the Council since December 2019. Financial provision has been made in the Council's future financial plans for interest rates remaining high in 2024/25. The financing of the capital programme for 2024/25 includes an estimated £50m of borrowing which at this time is assumed to be internal borrowing but estimates have been set to allow for external borrowing if needed.

## 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 2023/24 the following material items are not disclosed on the face of the CIES and therefore separately disclosed:

- In 2022/23, the Council successfully bid for £1.7m grant funding from the Greater London Authority (GLA) Right to Buy Buyback fund to support an acquisitions programme aimed at increasing the supply of affordable housing in the Borough. No further grant was received in 2023/24. In total the Council purchased 17 properties at a total acquisition cost of £5.2m (average £307,000 per unit). As the Council was not at that time listed as a Registered Provider of Social Housing an agreement has been reached between the GLA and Richmond Housing Partnership (RHP) which will involve the properties being leased to RHP for them to let and manage. It is envisaged that these will be ready for first let during 2023/24.

## Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director of Finance on 7 June 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 - Expenditure and Funding Analysis

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

2022-23			2023-24			
Net Committee Expenditure	Adjustments	Net CIES Expenditure		Net Committee Expenditure	Adjustments	Net CIES Expenditure
£000	£000	£000		£000	£000	£000
59,491	6,029	65,520	Adult Social Services, Health and Housing	68,463	3,091	71,554
39,792	11,102	50,894	Education & Children's Services	49,940	8,414	58,354
30,354	(10,709)	19,645	Environment	33,677	(11,191)	22,486
(5,423)	6,856	1,433	Transport and Air Quality	(6,466)	6,306	(160)
29,420	2,753	32,173	Finance, Policy and Resources	33,055	3,214	36,269
(9,013)	9,013	0	Central Items	(25,087)	25,087	0
<b>144,621</b>	<b>25,044</b>	<b>169,665</b>	<b>Net Cost of Services</b>	<b>153,582</b>	<b>34,921</b>	<b>188,503</b>
(144,226)	(41,544)	(185,770)	Other Income and Expenditure	(152,878)	(52,718)	(205,596)
<b>395</b>	<b>(16,500)</b>	<b>(16,105)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>704</b>	<b>(17,797)</b>	<b>(17,093)</b>
(126,852)			Opening Combined General Fund Balance	(140,223)		
395			Plus / less Surplus or Deficit on the General Fund	704		
(13,766)			Plus / less movements to or from earmarked reserves	(1,233)		
<b>(140,223)</b>			<b>Total Combined General Fund Balance</b>	<b>(140,752)</b>		

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

<b>2023-24</b>				
	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adult Social Services, Health and Housing	5,250	0	(2,159)	3,091
Education and Children's Services	9,593	0	(1,179)	8,414
Environment	1,434	0	(12,625)	(11,191)
Transport and Air Quality	6,217	0	89	6,306
Finance, Policy and Resources	1,976	0	1,238	3,984
Central Items	0	(3,344)	28,431	25,087
<b>Net Cost of Services</b>	<b>24,470</b>	<b>(3,344)</b>	<b>13,795</b>	<b>34,921</b>
Other Income and Expenditure	0	(5,127)	(47,591)	(52,718)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the CIES</b>	<b>24,470</b>	<b>(8,471)</b>	<b>(33,796)</b>	<b>(17,797)</b>

<b>2022-23</b>				
	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adults, Health and Housing	2,271	3,092	666	6,029
Education and Children's Services	5,069	5,095	938	11,102
Environment	1,825	2,831	(15,365)	(10,709)
Transport and Air Quality	6,228	824	(196)	6,856
Finance, Policy and Resources	1,076	(2,482)	4,159	2,753
Central Items	0	0	9,013	9,013
<b>Net Cost of Services</b>	<b>16,469</b>	<b>9,360</b>	<b>(785)</b>	<b>25,044</b>
Other Income and Expenditure	0	203	(41,747)	(41,544)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the CIES</b>	<b>16,469</b>	<b>9,563</b>	<b>(42,532)</b>	<b>(16,500)</b>

## Note 8 - Expenditure and Income Analysed by Nature

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

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>	<b>Nature of Expenditure or Income</b>	<b>£000</b>
(75,657)	Fees, charges and other service income	(85,191)
(5,435)	Interest and investment income	(14,025)
(169,370)	Income from local taxation	(181,873)
(272,543)	Government grants and contributions	(270,118)
159,458	Employee benefits expenses	147,224
187	Support service recharge expenditure	892
315,573	Other service expenses	358,968
13,327	Depreciation, amortisation and impairment	19,491
5,193	Interest payments	(310)
8,693	Precepts and levies	8,781
5	Payments to Housing Capital Receipts Pool	3
4,464	Gain or loss on disposal of non-current assets	(935)
0	Other expenditure	0
<b>(16,105)</b>	<b>Surplus or Deficit for Year</b>	<b>(17,093)</b>

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

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

2023-24	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<u>Adjustments to the Revenue Resources:</u>				
Pension cost (transferred to (or from) the Pensions Reserve)	8,471			(8,471)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	46			(46)
Council tax and NNDR (transfers to or from the Collection Fund)	848			(848)
Holiday pay (transferred to the Accumulated Absences reserve)	1,502			(1,502)
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)	(8,408)		(19,177)	27,585
<b>Total Adjustments to Revenue Resources</b>	<b>2,459</b>	<b>0</b>	<b>(19,177)</b>	<b>16,718</b>
<u>Adjustments between Revenue and Capital Resources:</u>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	935	(935)		0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(3)	3		0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,254			(6,254)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,919			(6,919)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,105</b>	<b>(932)</b>	<b>0</b>	<b>(13,173)</b>
<u>Adjustments to Capital Resources:</u>				
Use of the Capital Receipts Reserve to finance capital expenditure		1,509		(1,509)
Application of capital grants to finance capital expenditure			16,865	(16,865)
Cash payments in relation to deferred capital receipts		(333)		333
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>1,176</b>	<b>16,865</b>	<b>(18,041)</b>
<b>Total Adjustments</b>	<b>16,564</b>	<b>244</b>	<b>(2,312)</b>	<b>(14,496)</b>

2022-23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources:</u>				
Pension cost (transferred to (or from) the Pensions Reserve)	(9,561)			9,561
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	101			(101)
Council tax and NNDR (transfers to or from the Collection Fund)	8,563			(8,563)
Holiday pay (transferred to the Accumulated Absences reserve)	(722)			722
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)	(9,316)		(19,536)	28,852
<b>Total Adjustments to Revenue Resources</b>	<b>(10,935)</b>	<b>0</b>	<b>(19,536)</b>	<b>30,471</b>
<u>Adjustments between Revenue and Capital Resources:</u>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	966	(966)		0
Administration Costs of non-current asset disposals	56	(56)		0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(5)	5		0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,858			(6,858)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,794			(5,794)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>13,669</b>	<b>(1,017)</b>	<b>0</b>	<b>(12,652)</b>
<u>Adjustments to Capital Resources:</u>				
Use of the Capital Receipts Reserve to finance capital expenditure		5,899		(5,899)
Application of capital grants to finance capital expenditure			17,933	(17,933)
Cash payments in relation to deferred capital receipts		(309)		309
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>5,590</b>	<b>17,933</b>	<b>(23,523)</b>
<b>Total Adjustments</b>	<b>2,734</b>	<b>4,573</b>	<b>(1,603)</b>	<b>(5,704)</b>

## Note 10 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24.

	Balance at 1 April 2022 £000	Transfers In 2022-23 £000	Transfers Out 2022-23 £000	Balance at 31 March 2023 £000	Transfers In 2023-24 £000	Transfers Out 2023-24 £000	Balance at 31 March 2024 £000
<b>General Fund Reserves:</b>							
Financial Resilience Reserve	(32,356)	(566)	3,000	(29,922)	0	1,955	(27,967)
Refugee and Homelessness Support	0	(6,840)	0	(6,840)	(1,206)	1,147	(6,899)
Invest to Save Reserve	(6,561)	0	0	(6,561)	0	722	(5,839)
Waste and Recycling Reserve	(1,574)	(3,081)	1,152	(3,503)	(2,409)	93	(5,819)
All in One Uplift Projects Reserve	(3,011)	(1,614)	774	(3,851)	0	398	(3,453)
Repairs and Renewals Fund Reserve	(3,415)	(529)	734	(3,210)	(297)	325	(3,182)
Pensions Earmarked Reserve	(3,000)	0	0	(3,000)	0	0	(3,000)
Emergency Funding Reserve	0	(3,000)	390	(2,610)	(1,500)	1,207	(2,903)
Climate Emergency Strategy	(1,620)	0	49	(1,571)	(1,510)	366	(2,715)
Richmond CCG Contributions Reserve	(1,592)	0	0	(1,592)	0	450	(1,142)
Learning Disability and Health Reform Grant Reserve	(754)	0	0	(754)	0	461	(293)
Climate Change Reserve	(1,510)	0	0	(1,510)	0	1,510	0
South London Partnership Reserve	(908)	(24)	18	(914)	(84)	998	0
Other minor earmarked reserves under £500k	(4,434)	(386)	1,799	(3,021)	(418)	178	(3,261)
<b>Subtotal</b>	<b>(60,735)</b>	<b>(16,040)</b>	<b>7,916</b>	<b>(68,859)</b>	<b>(7,424)</b>	<b>9,810</b>	<b>(66,473)</b>
Section 106 Revenue Contributions Reserve	(13,775)	(8,655)	1,216	(21,214)	(4,234)	1,265	(24,183)
Dedicated Schools Grant Reserve	(3,970)	(6,961)	0	(10,931)	(1,683)	257	(12,357)
Schools Balances	(7,784)	(425)	904	(7,305)	0	65	(7,240)
PFI Reserve (Education)	(6,970)	(578)	849	(6,699)	(322)	526	(6,495)
NNDR Volatility Reserve	(13,878)	(1,612)	9,373	(6,117)	0	0	(6,117)
General Insurance Reserve	(3,139)	(337)	239	(3,237)	(912)	0	(4,149)
PFI Reserve (Social Services)	(3,314)	(72)	249	(3,137)	(157)	1,576	(1,718)
Council Tax Volatility Reserve	(957)	0	0	(957)	0	0	(957)
COVID Support Grant Reserve	(168)	0	168	0	0	0	0
<b>Total General Fund</b>	<b>(114,690)</b>	<b>(34,680)</b>	<b>20,914</b>	<b>(128,456)</b>	<b>(14,732)</b>	<b>13,499</b>	<b>(129,689)</b>



## Note 11 - Other Operating Expenditure

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
8,693	Levies	8,781
5	Payments to the Government Housing Capital Receipts Pool	3
4,464	Gains/losses on the Disposal of Non-Current Assets	(935)
<b>13,162</b>	<b>Total Other Operating Expenditure</b>	<b>7,849</b>

## Note 12 - Financing and Investment Income and Expenditure

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
4,990	Interest payable and similar charges	4,818
203	Net interest on the net defined benefit liability (asset)	(5,128)
(5,888)	Interest receivable and similar income	(11,293)
453	Income and expenditure in relation to investment properties and changes in their fair value	(2,732)
<b>(242)</b>	<b>Total</b>	<b>(14,335)</b>

## Note 13 - Taxation and Non-Specific Grant Income

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
(145,648)	Council tax income	(153,412)
(23,722)	Non-domestic rates income and expenditure	(28,460)
(15,501)	Non-ringfenced government grants and contributions	(2,837)
(13,819)	Capital grants and contributions	(14,401)
<b>(198,690)</b>	<b>Total</b>	<b>(199,110)</b>

## Note 14 – Property, Plant and Equipment

Movements to 31 March 2024	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>at 31 March 2023</b>	856,727	10,312	20,746	11,604	5,573	<b>904,962</b>
Additions	13,558	929	46	0	909	<b>15,442</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,614)	0	0	(1,243)	0	<b>(25,857)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,614)	0	0	(21)	0	<b>(6,635)</b>
Reclassifications and transfer	0	0	0	0	0	<b>0</b>
<b>at 31 March 2024</b>	<b>839,057</b>	<b>11,241</b>	<b>20,792</b>	<b>10,340</b>	<b>6,482</b>	<b>887,912</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>at 31 March 2023</b>	(1,553)	(7,507)	(101)	(1)	0	<b>(9,162)</b>
Depreciation charge	(5,906)	(1,203)	0	(3)	0	<b>(7,112)</b>
Depreciation written out to the Revaluation Reserve	4,783	0	0	0	0	<b>4,783</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	700	0	0	3	0	<b>703</b>
<b>at 31 March 2024</b>	<b>(1,976)</b>	<b>(8,710)</b>	<b>(101)</b>	<b>(1)</b>	<b>0</b>	<b>(10,788)</b>
<b>Net Book Value at 31 March 2024</b>	<b>837,081</b>	<b>2,531</b>	<b>20,691</b>	<b>10,339</b>	<b>6,482</b>	<b>877,124</b>

<b>Restated Movements to 31 March 2023</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>						
<b>at 1 April 2022</b>	826,794	9,698	20,732	11,438	5,152	<b>873,814</b>
Additions	16,081	614	14	0	529	<b>17,238</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,614	0	0	166	0	<b>20,780</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,384)	0	0	0	0	<b>(1,384)</b>
Derecognition – disposals	(5,486)	0	0	0	0	<b>(5,486)</b>
Reclassifications and transfer	108	0	0	0	(108)	<b>0</b>
<b>at 31 March 2023</b>	<b>856,727</b>	<b>10,312</b>	<b>20,746</b>	<b>11,604</b>	<b>5,573</b>	<b>904,962</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>at 1 April 2022</b>	(1,405)	(6,585)	(101)	(1)	0	<b>(8,092)</b>
Depreciation charge	(5,866)	(922)	0	(3)	0	<b>(6,791)</b>
Depreciation written out to the Revaluation Reserve	5,100	0	0	0	0	<b>5,100</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	618	0	0	3	0	<b>621</b>
<b>at 31 March 2023</b>	<b>(1,553)</b>	<b>(7,507)</b>	<b>(101)</b>	<b>(1)</b>	<b>0</b>	<b>(9,162)</b>
<b>Net Book Value</b>						
<b>Net book value at 31 March 2023</b>	<b>855,174</b>	<b>2,805</b>	<b>20,645</b>	<b>11,603</b>	<b>5,573</b>	<b>895,800</b>
<b>Net book value at 31 March 2022</b>	<b>825,389</b>	<b>3,113</b>	<b>20,631</b>	<b>11,437</b>	<b>5,152</b>	<b>865,722</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other land and buildings - estimated useful life provided by a Royal Institution of Chartered Surveyors (RICS) qualified valuer.
- Vehicles, plant, furniture and equipment - estimated useful life on acquisition.

## Capital Commitments

At 31 March 2024, the Council had entered into a number of on-going contracts for the construction or enhancement of property, plant and equipment. The table below shows the details of outstanding contractual commitments over £0.1m:

<b>2022-23</b>	<b>Capital scheme</b>	<b>2023-24</b>
<b>£000</b>		<b>£000</b>
0	Elleray Hall	4,213
5,600	The Richmond upon Thames School Temporary Sports Hall	3,494
2,675	Teddington footbridges	1,460
1,100	The Vineyard School Special Resources Provision	789
0	Barn Elm Sports Track	286
0	Vineyard LED Lights	178
0	Strathmore at Hampton High	111
492	East Sheen Primary School Classroom	0
309	Busen Reprovision	0
<b>10,176</b>	<b>Total</b>	<b>10,531</b>

## Effects of Changes in Estimates

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

## Revaluations

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

As at the valuation date (31 March 2024), the pandemic has ceased to be a public health emergency and property markets are functioning again. However, the continued Bank Rate through 2023/24 to try and reduce high inflation, has continued to impact the property market. The Council's external valuers (Wilks Head & Eve) have used substantial transaction volumes and other reliable market evidence to provide reliable asset valuations.

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

Valuations of land and buildings were carried out by our external valuers with an effective valuation date of 31 March 2024 in accordance with the methodologies and basis of estimation set out in the professional standards of RICS. This publication reference has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

## Note 15 – Infrastructure Assets

In accordance with the temporary statutory override prescribed by CIPFA, Infrastructure Assets are reported separately from Other Property, Plant and Equipment. This note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
91,352	At 1 April	95,273
9,691	Additions	14,895
(5,770)	Depreciation	(6,443)
<b>95,273</b>	<b>at 31 March</b>	<b>103,725</b>

Infrastructure assets and other property, plant and equipment (Note 14) are combined on the balance sheet as follows:

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
95,273	Infrastructure Assets	103,725
895,800	Other Property, Plant and Equipment	877,124
<b>991,073</b>	<b>at 31 March</b>	<b>980,849</b>

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

## Note 16 - Heritage Assets

Movements in heritage assets are as follows:

<b>2023-24</b>	<b>Art Collection</b>	<b>Land and Buildings</b>	<b>Civic Regalia</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	2,761	176	606	3,543
Acquisitions	0	2	0	2
Revaluations	0	(27)	0	(27)
Depreciation	0	(3)	0	(3)
<b>Closing Balance</b>	<b>2,761</b>	<b>148</b>	<b>606</b>	<b>3,515</b>

<b>2022-23</b>	<b>Art Collection</b>	<b>Land and Buildings</b>	<b>Civic Regalia</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	2,761	171	606	3,538
Acquisitions	0	2	0	2
Revaluations	0	7	0	7
Depreciation	0	(4)	0	(4)
<b>Closing Balance</b>	<b>2,761</b>	<b>176</b>	<b>606</b>	<b>3,543</b>

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.

The Council's art collection includes approximately 3,000 paintings from various artists dating back to the early 19th century. These paintings are of landscapes and buildings in and around the surrounding area of the Borough. The collections are held in Orleans House Gallery and York House.

The Civic Regalia were valued externally in 2013 and includes the Mayoral Mace, Mayoral Badge and Mayoral Collaret as well as various other ceremonial items. Valuation is undertaken for insurance purposes and while the estimated value is updated annually on renewal of cover, only valuations used for insurance contract letting are used to update the Asset Register.

The only heritage asset held is Garrick Temple which is a listed building originally constructed in 1756 and restored in 1999. It is used as a memorial temple and therefore contributes to the history and enhances the knowledge of this region of London.

Heritage assets are held on the Council's asset register. Policies on acquisition, preservation, management and disposal of heritage assets are in line with other asset classes.

## Note 17 - Investment Properties

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>	<b>Investment Property Income and Expenditure</b>	<b>£000</b>
(773)	Rental income from investment property	(1,098)
<b>(773)</b>	<b>Net (gain)/loss</b>	<b>(1,098)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The above items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

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

31 March 2023			31 March 2024	
Non-Current			Non-Current	
£000	Investment Properties Movements in Year		£000	
16,297	Opening Balance		15,071	
(1,226)	Net gains/losses from fair value adjustments		1,634	
<b>15,071</b>	<b>Balance at the end of the year</b>		<b>16,705</b>	

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

Valuations of land and buildings were carried out by our external valuers with an effective valuation date of 31 March 2024 in accordance with the methodologies and basis of estimation set out in the professional standards of RICS. This publication reference has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

## Note 18 - Financial Instruments

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

Non-Current Financial Assets							
	<u>Investments</u>		<u>Debtors</u>		<u>PFI debtor (VA Schools)</u>		<u>Total</u>
	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 24
	£000	£000	£000	£000	£000	£000	£000
Amortised cost	0	0	16,081	15,711	4,991	4,592	<b>20,303</b>
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>16,081</b>	<b>15,711</b>	<b>4,991</b>	<b>4,592</b>	<b>20,303</b>

Current Financial Assets							
	<u>Investments</u>		<u>Debtors</u>		<u>PFI debtor (VA Schools)</u>		<u>Total</u>
	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 24
	£000	£000	£000	£000	£000	£000	£000
Amortised cost	82,086	61,674	38,344	52,574	365	399	<b>114,647</b>
<b>Total financial assets</b>	<b>82,086</b>	<b>61,674</b>	<b>38,344</b>	<b>52,574</b>	<b>365</b>	<b>399</b>	<b>114,647</b>

## Non-Current Financial Liabilities

	<b>Borrowings</b>		<b>Creditors</b>		<b>Other long-term liabilities</b>		<b>Total</b>
	<b>31 Mar 23</b>	<b>31 Mar 24</b>	<b>31 Mar 23</b>	<b>31 Mar 24</b>	<b>31 Mar 23</b>	<b>31 Mar 24</b>	<b>31 Mar 24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amortised cost	(114,041)	(110,986)	0	0	0	0	(110,986)
Other	0	0	(311)	(307)	(16,235)	(14,265)	(14,572)
<b>Total financial liabilities</b>	<b>(114,041)</b>	<b>(110,986)</b>	<b>(311)</b>	<b>(307)</b>	<b>(16,235)</b>	<b>(14,265)</b>	<b>(125,558)</b>

## Current Financial Liabilities

	<b>Borrowings</b>		<b>Creditors</b>		<b>Total</b>
	<b>31 Mar 23</b>	<b>31 Mar 24</b>	<b>31 Mar 23</b>	<b>31 Mar 24</b>	<b>31 Mar 24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amortised cost	(6,916)	(4,633)	(31,382)	(37,320)	(41,953)
Other	0	0	(1,816)	(1,976)	(1,976)
<b>Total financial liabilities</b>	<b>(6,916)</b>	<b>(4,633)</b>	<b>(33,198)</b>	<b>(39,296)</b>	<b>(43,929)</b>

## Income, Expense, Gains and Losses

	<b>Surplus or Deficit on the Provision of Services</b>	
	<b>2022-23</b>	<b>2023-24</b>
	<b>£000</b>	<b>£000</b>
Interest Income	(5,888)	(11,293)
Interest Expense	4,990	4,818
	(898)	(6,475)

## Note 19 – Debtors

<b>31 March 2023</b>		<b>31 March 2024</b>	
<b>£000</b>		<b>£000</b>	
30,273	Trade Receivables	36,016	
2,109	Prepayments	4,821	
4,356	Other Local Authorities	10,889	
16,202	Other Entities and Individuals	17,246	
3,387	NHS Bodies	5,620	
15,386	Central Government Bodies	13,631	
<b>71,713</b>	<b>Total</b>	<b>88,223</b>	

## Note 20 - Debtors for Local Taxation

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



<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
157	Less than three months	99
471	Three to six months	298
941	Six months to one year	595
7,020	More than one year	7,793
<b>8,589</b>	<b>Total</b>	<b>8,785</b>

## Note 21 - Cash and Cash Equivalents

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
132	Cash and Bank balances	1,227
53,700	Short Term Deposits	41,000
<b>53,832</b>	<b>Total Cash and Cash Equivalents</b>	<b>42,227</b>

## Note 22 - Creditors

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
(8,019)	Trade payables	(11,621)
(15,538)	Central Government Bodies	(9,615)
(18,170)	Other Local Authorities	(20,266)
(594)	NHS Bodies	(170)
(28,168)	Other Entities and Individuals	(26,219)
<b>(70,489)</b>	<b>Total Creditors</b>	<b>(67,891)</b>

## Note 23 – Provisions

### Short-Term Provisions

<b>2023-24</b>	<b>Central Insurance Fund £000</b>	<b>Business Rates Appeals £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
Opening Balance	(91)	(3,500)	(491)	(4,082)
Increase in provision during year	(103)	(1,860)	0	(1,963)
Utilised during year	0	2,786	0	2,786
Unused amounts reversed	0	0	0	0
<b>Closing Balance</b>	<b>(194)</b>	<b>(2,574)</b>	<b>(491)</b>	<b>(3,259)</b>

<b>2022-23</b>	<b>Central Insurance Fund</b>	<b>Business Rates Appeals</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	(67)	(2,472)	(491)	(3,030)
Increase in provision during year	(91)	(3,024)	0	(3,115)
Utilised during year	0	1,996	0	1,996
Unused amounts reversed	67	0	0	67
<b>Closing Balance</b>	<b>(91)</b>	<b>(3,500)</b>	<b>(491)</b>	<b>(4,082)</b>

## Long-Term Provisions

<b>2023-24</b>	<b>Central Insurance Fund</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	(561)	(561)
Increase in provision during year	0	0
Utilised during year	0	0
Unused Amounts Reversed	477	477
<b>Closing Balance</b>	<b>(84)</b>	<b>(84)</b>

<b>2022-23</b>	<b>Central Insurance Fund</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	(414)	(414)
Increase in provision during year	(561)	(561)
Unused Amounts Reversed	414	414
<b>Closing Balance</b>	<b>(561)</b>	<b>(561)</b>

## Total Provisions

<b>2022-23 £000</b>	<b>Total Provisions</b>	<b>2023-24 £000</b>
(3,444)	Opening Balance	(4,643)
(3,676)	Increase in provision during year	(1,963)
1,996	Utilised during year	2,786
481	Unused Amounts Reversed	477
<b>(4,643)</b>	<b>Closing Balance</b>	<b>(3,343)</b>

## Insurance Fund

In common with most local authorities, the Council operates an insurance fund as a means of self-insurance. The fund is actuarially reviewed by an independent third-party organisation periodically, to ensure that it is maintained at an appropriate level. A sufficient insurance fund is held as a provision.

The part of the fund relates to liability insurance claims received and outstanding at 31 March. The value of these claims is held as a provision to meet future expenditure that the fund is likely to incur in meeting any claims below the current self-insured excess of £0.2m (this figure varies slightly, annually, as it is index linked).

A separate aggregate stop loss limit (which varies annually) protects this part of the Fund.

## Business Rates Appeals

Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The Council's share of the total provision made as at 31 March 2024 is £2.6m, compared to £3.5m for 2022/23. This has been calculated based on appeals outstanding at 31 March adjusted for historic trends.

## Note 24 - Usable Reserves

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

### Capital Receipts Reserve

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
(5,546)	Balance 1 April	(973)
(966)	Capital Receipts in year	(935)
(309)	Deferred Receipts realised	(333)
5	Capital Receipts Pooled	3
(56)	Disposal Costs	0
5,899	Capital Receipts used for financing	1,509
<b>(973)</b>	<b>Balance 31 March</b>	<b>(729)</b>

### Capital Grants Unapplied

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
(33,872)	Balance 1 April	(35,475)
(19,535)	Capital grants recognised in year	(19,177)
17,932	Capital grants and contributions applied	16,865
<b>(35,475)</b>	<b>Balance 31 March</b>	<b>(37,787)</b>

## Note 25 - Unusable Reserves

31 March 2023		31 March 2024	
£000		£000	
(535,564)	Revaluation Reserve	(511,646)	
(301,905)	Capital Adjustment Account	(308,683)	
46	Financial Instruments Adjustment Account	0	
(73,455)	Pension Reserve	14,309	
(16,734)	Deferred Capital Receipts Reserve	(16,400)	
759	Collection Fund Adjustment Account	(89)	
5,436	Accumulated Absences Account	3,934	
11,187	Dedicated Schools Grant Adjustment Account	11,187	
<b>(910,230)</b>	<b>Total</b>	<b>(807,388)</b>	

### Revaluation Reserve

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

31 March 2023		31 March 2024	
£000		£000	
(512,366)	<b>Balance 1 April</b>	(535,564)	
(28,475)	Upward revaluation of assets	(40,848)	
2,588	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	61,950	
<b>(25,887)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>21,102</b>	
2,689	Difference between fair value depreciation and historical cost depreciation	2,816	
<b>2,689</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>2,816</b>	
<b>(535,564)</b>	<b>Balance 31 March</b>	<b>(511,646)</b>	

### Capital Adjustment Account

The capital adjustment account absorbs the timing differences from the different arrangement for accounting for the consumption of non-current assets and for financing the acquisition, construction, or additions to those assets under statutory provisions.

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
(291,584)	<b>Balance 1 April</b>	(301,905)
12,564	Charges for depreciation and impairment of non-current assets	13,559
763	Revaluation losses on non-current assets	5,932
8,841	Revenue expenditure funded from capital under statute	9,757
5,486	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	0
27,654	<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	29,248
(2,689)	Adjusting Amounts written out of the Revaluation Reserve	(2,816)
24,965	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	26,432
(5,899)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,509)
(17,933)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(16,866)
(6,858)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,254)
(5,794)	Capital expenditure charged against the General Fund and HRA balances	(6,920)
(36,484)	<b>Capital financing applied in year:</b>	(31,549)
1,226	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,634)
(28)	Other movements	(27)
<b>(301,905)</b>	<b>Balance 31 March</b>	<b>(308,683)</b>

### Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
<b>147</b>	<b>Balance 1 April</b>	<b>46</b>
(101)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(46)
<b>46</b>	<b>Balance 31 March</b>	<b>0</b>

### Pension Reserve

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
<b>153,128</b>	<b>Opening Balance</b>	<b>(73,455)</b>
(236,144)	Remeasurements of the net defined benefit (liability)/asset	96,235
25,213	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	7,331
(15,652)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,802)
<b>(73,455)</b>	<b>Balance 31 March</b>	<b>14,309</b>

### Deferred Capital Receipts Reserve

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

<b>31 March 2023 £000</b>		<b>31 March 2023 £000</b>
(17,043)	Balance 1 April	(16,734)
309	Transfer to the Capital Receipts Reserve upon receipt of cash	334
<b>(16,734)</b>	<b>Balance 31 March</b>	<b>(16,400)</b>

### Collection Fund Adjustment Account

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
9,322	Balance 1 April	759
(8,563)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(848)
<b>759</b>	<b>Balance 31 March</b>	<b>(89)</b>

### Accumulated Absences Account

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

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
4,715	<b>Balance 1 April</b>	5,436
(4,715)	Settlement or cancellation of accrual made at the end of the preceding year	(5,436)
5,436	Amounts accrued at the end of the current year	3,934
721	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(1,502)
<b>5,436</b>	<b>Balance 31 March</b>	<b>3,934</b>

### Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds accumulated deficits relating to the schools' budget. Where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 to 1 April 2023, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
11,187	Balance 1 April	11,187
0	Increase of Dedicated Schools Grant Deficit	0
<b>11,187</b>	<b>Balance 31 March</b>	<b>11,187</b>

### Note 26 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
(4,536)	Interest received	(12,705)
4,820	Interest paid	4,394
<b>284</b>	<b>Total</b>	<b>(8,311)</b>

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
(12,564)	Depreciation	(13,559)
(763)	Impairment and downward valuations	(5,932)
52,366	(Increase)/decrease in creditors	1,453
6,634	Increase/(decrease) in debtors	20,969
(8)	Increase/(decrease) in inventories	17
(9,561)	Movement in pension liability	8,471
(5,486)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0
(952)	Other non-cash movements charged to the surplus or deficit on provision of services	2,934
<b>29,666</b>	<b>Total</b>	<b>14,353</b>

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
966	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	935
22,955	Any other items for which the cash effects are investing or financing cash flows	19,178
<b>23,921</b>	<b>Total</b>	<b>20,113</b>

## Note 27 - Cash Flow from Investing Activities

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
25,898	Purchase of property, plant and equipment, investment property and intangible assets	30,767
906,800	Purchase of short-term and long-term investments	372,600
0	Other payments for investing activities	(37)
(1,275)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,269)
(937,800)	Proceeds from short-term and long-term investments	(391,600)
(19,350)	Other receipts from investing activities	(25,365)
<b>(25,727)</b>	<b>Net cash flows from investing activities</b>	<b>(14,904)</b>



## Note 28 - Cash Flow from Financing Activities

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
1,534	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,571
3,220	Repayments of short-term and long-term borrowing	5,761
(24,161)	Other payments for financing activities	1,804
<b>(19,407)</b>	<b>Net cash flows from financing activities</b>	<b>9,136</b>

## Note 29 – Reconciliation of Liabilities from Financing Activities

	<b>31 March 2023 £000</b>	<b>Financing cash flows £000</b>	<b>Other non-cash changes £000</b>	<b>31 March 2024 £000</b>
Long-term borrowing	(114,041)	0	3,055	(110,986)
Short-term borrowing	(6,916)	5,761	(3,479)	(4,634)
Lease Liabilities	(3,320)	39	0	(3,281)
On balance sheet PFI Liabilities	(17,345)	1,532	2,937	(12,876)
<b>Total liabilities from financing activities</b>	<b>(141,622)</b>	<b>7,332</b>	<b>2,513</b>	<b>(131,777)</b>

## Note 30 - Agency Services

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

In 2023/24, there have been no income streams constituting an agency relationship which individually are over £1m.

Various other grants, previously classified as agency relationships have ended and therefore are not included.

## Note 31 - Pooled Budgets

The Council has three pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2024. These are:

### The Better Care Fund (BCF)

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 April 2015 with Richmond CCG to establish a pooled fund. The fund is being invested in a number of established and new schemes which aim to support people to access appropriate care closer to home and to keep people independent for as long as possible and prevent unnecessary hospital admissions. The Council is the host for the fund.

<b>2022-23</b>	<b>Better Care Fund</b>	<b>2023-24</b>
<b>£000</b>		<b>£000</b>
(7,906)	Authority Funding	(8,309)
(6,727)	Partner Funding	(7,108)
(14,633)	Total Pooled Funding	(15,417)
7,906	Authority Expenditure	8,309
6,727	Partner Expenditure	7,108
14,633	Expenditure	15,417
<b>0</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>0</b>
<b>0</b>	<b>Authority Share of the Net Surplus / Deficit</b>	<b>0</b>

#### The Joint Integrated Rapid Response Service

The Council entered into a S75 agreement with Hounslow and Richmond Community Healthcare Trust (HRCH) in April 2015 to operate a Joint Integrated Rapid Response Service. The basis of the funding arrangement is that the Council and HRCH contribute jointly to a pooled budget for the provision, but it is hosted and managed by HRCH. The purpose is to provide facilities for the prevention of illness, for people who are ill or recovering from illness. The Council does not retain any share of the £0.4m surplus reported in 2023/24.

<b>2022-23</b>	<b>Rapid Response Service</b>	<b>2023-24</b>
<b>£000</b>		<b>£000</b>
(1,729)	Authority Funding	(1,845)
(1,932)	Partner Funding	(2,002)
(3,661)	Total Pooled Funding	(3,847)
1,105	Authority Expenditure	981
2,212	Partner Expenditure	2,488
3,317	Expenditure	3,469
<b>(344)</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>(378)</b>
<b>0</b>	<b>Authority Share of the Net Surplus / Deficit</b>	<b>0</b>

#### Joint Integrated Community Equipment Service

An arrangement between the Council and HRCH where both partners contribute jointly to a pooled budget for the provision of a daily living and nursing equipment service. This service includes minor works adaptations and the servicing of hoists and other equipment. The pooled budget is hosted and managed by LB Richmond and the basis on which costs are shared is reviewed periodically to reflect usage of equipment by different client groups. In October 2011, the Council joined the London Consortium contract for provision of equipment,

which is administered by the RB Kensington and Chelsea. LB Richmond pays an administrative fee for governance, overseeing contract compliance and negotiation of equipment prices. The Council is responsible for 50% of the deficit.

<b>2022-23</b>	<b>Joint Integrated Community Equipment Service</b>	<b>2023-24</b>
<b>£000</b>		<b>£000</b>
(563)	Authority Funding	(563)
(563)	Partner Funding	(563)
(1,126)	Total Pooled Funding	(1,126)
880	Authority Expenditure	877
880	Partner Expenditure	877
1,760	Expenditure	1,754
<b>634</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>628</b>
<b>317</b>	<b>Authority Share of the Net Surplus / Deficit</b>	<b>314</b>

### Note 32 - Members' Allowances

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

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
696	Allowances	861
696	<b>Total Members' Allowances</b>	861

### Note 33 - Officers' Remuneration

The Council entered into the SSA with Wandsworth Council from 1 October 2016. The tables below set out: senior officers whose remuneration exceeds £150,000 (or report to the Chief Executive or is required by the Code); the bandings of officers whose SSA salary share is £50,000 or more per year; and an analysis of exit packages paid during the year. All tables detailed below represent Richmond's proportion of the salary costs with the remaining balance being charged to Wandsworth.

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

<b>2023-24</b>		<b>Salary &amp; Other Payments</b>	<b>Employers Pension Contributions</b>	<b>Total</b>
	<i>Notes</i>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive – M. Jackson	1	104,134	0	<b>104,134</b>
Executive Director of Children’s Services - I. Dodds	2	165,950	37,753	<b>203,703</b>
Executive Director of Housing and Regeneration - B. Reilly	3	88,161	16,839	<b>105,000</b>
Executive Director of Environment and Community Services – P. Chadwick	4	78,268	14,949	<b>93,217</b>
Executive Director of Finance - F. Merry	5	73,799	14,089	<b>87,888</b>
Executive Director of Adult Social Care and Public Health – J. DeSouza	6	68,650	13,112	<b>81,762</b>
Assistant Chief Executive (Policy and Performance) - J. Evans	7	58,626	11,198	<b>69,824</b>
Deputy Director of Environment and Community Services	8	66,495	9,401	<b>75,896</b>
Director of Public Health	9	59,365	11,339	<b>70,704</b>
Assistant Director of Change and Customer Experience*	10	57,853	11,050	<b>68,903</b>
		<b>821,301</b>	<b>139,730</b>	<b>961,031</b>

<b>2022-23</b>		<b>Salary &amp; Other Payments</b>	<b>Employers Pension Contribution</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive – M. Jackson	1	44,085	0	<b>44,085</b>
Outgoing Chief Executive – M. Maidment	-	55,482	9,987	<b>65,469</b>
Director of Children's Services - I. Dodds	2	159,100	38,507	<b>197,607</b>
Director of Housing and Regeneration – B. Reilly	3	85,214	15,338	<b>100,552</b>
Director of Environment & Community Services - P. Chadwick	4	73,381	13,209	<b>86,590</b>
Director of Finance - F. Merry	5	66,402	11,952	<b>78,354</b>
Director of Adult Social Care and Public Health - J. DeSouza	6	56,716	10,209	<b>66,925</b>
Assistant Chief Executive (Policy and Performance) - J. Evans	7	55,954	10,072	<b>66,026</b>
Deputy Director of Environment and Community Services	8	67,339	12,121	<b>79,460</b>
Assistant Director - Commissioning and Quality Standards (Outgoing)	-	56,643	0	<b>56,643</b>
Assistant Chief Executive - Corporate Services*	10	55,070	9,913	<b>64,983</b>
		<b>775,386</b>	<b>131,308</b>	<b>906,694</b>

Notes to show Senior Officers’ full SSA remuneration including salary and pension contributions in 2023/24 are as follows:

Note 1 – The Chief Executive’s total remuneration across the SSA in 2023/24 was £281,443 and the employers pension contributions was £0.

Note 2 - The Executive Director of Children's Services is employed by Richmond with 50% of his salary funded from Kingston Council. The total remuneration was £165,950 and the employers pension contributions were £37,753.

Note 3 - The Executive Director of Housing and Regeneration's total remuneration across the SSA in 2023/24 was £238,272 and the employers pension contributions were £45,510.

Note 4 - The Executive Director of Environment and Community Services' total remuneration across the SSA in 2023/24 was £211,535 and the employers pension contributions were £40,403.

Note 5 - The Executive Director of Finance's total remuneration across the SSA in 2023/24 was £199,456 and the employer pension contributions were £38,080.

Note 6 - The Executive Director of Adult Social Care and Public Health's total remuneration across the SSA in 2023/24 was £185,541 and the employer pension contributions were £35,438.

Note 7 - The Assistant Chief Executive (Policy and Performance)'s total remuneration across the SSA in 2023/24 was £158,448 and the employer pension contributions were £30,264.

Note 8 - The Deputy Director of Environment and Community Services' total remuneration across the SSA in 2023/24 was £179,716 and the employers pension contributions were £25,408.

Note 9 - The Director of Public Health's total remuneration across the SSA in 2023/24 was £156,225 and the employer pension contributions were £29,839.

\*Note 10 - The Assistant Director of Change and Customer Experience's (formerly Assistant Chief Executive - Corporate Services) total remuneration across the SSA in 2023/24 was £156,360 and the employer pension contributions were £29,865.

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

Director job titles were changed to Executive Director in 2023/24.

#### Officer Remuneration Banding

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

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

	Number of Employees	
	2022-23	2023-24
£50,001 to £55,000	80	89
£55,001 to £60,000	38	50
£60,001 to £65,000	20	26
£65,001 to £70,000	27	31
£70,001 to £75,000	12	10
£75,001 to £80,000	11	13
£80,001 to £85,000	8	9
£85,001 to £90,000	4	6
£90,001 to £95,000	4	4
£95,001 to £100,000	2	3
£100,001 to £105,000	1	3
£105,001 to £110,000	0	2
£110,001 to £115,000	2	1
£115,001 to £120,000	0	2
£135,001 to £140,000	1	0
£150,001 to £155,000	0	1
£155,001 to £160,000	1	0
<b>Total</b>	<b>211</b>	<b>250</b>

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
£0-£20,000	4	6	7	6	11	12	79,845	67,413
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	1	1	0	0	1	1	57,328	43,830
£100,001 - £150,000	1	0	0	0	1	0	128,653	0
<b>Total</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>13</b>	<b>13</b>	<b>265,826</b>	<b>111,243</b>
Add: Amounts provided for in CIES not included in bandings							87,863	21,130
<b>Total cost included in CIES</b>							<b>353,689</b>	<b>132,373</b>

The Council terminated the contracts of a number of employees in 2023/24, incurring liabilities of £0.1m (£0.3m in 2022/23). The total cost of £0.1m for 2023/24 (£0.4m for 2022/23) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year.

## Note 34 - External Audit Costs

The requirement is for disclosure of the fees payable in year, to auditors appointed under the Local Audit and Accountability Act 2014 with regard to external audit services carried out by the appointed auditor under the Code of Audit Practice prepared by the comptroller and auditor general in accordance with Section 18 of the Local Audit and Accountability Act 2014.

The Council has incurred the following costs in 2023/24:

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
96	Fees payable to external auditors for the current years scale fee	286
69	Fees payable to external auditors for previous years additional fee	19
14	Fees payable in respect of other services provided by external auditors during the year	15
<b>179</b>	<b>Total</b>	<b>320</b>

The Council's auditors Ernst & Young LLP have submitted requests to Public Sector Audit Appointments for authority to increase the additional fees charged for 2019/20 onwards. Only additional fees for 2019/20 and 2020/21 have been agreed were paid in previous years. For 2022/23 the PSAA has agreed increases to councils' scale fees nationally for recurring approved fee variations which are consolidated into new scale fees.

## Note 35 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance and Early Years (England) Regulations 2022 The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are:

<b>DSG Receivable for 2023-24</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for year before Academies and high needs recoupment			(195,674)
Academy and high needs figure recouped for year			71,148
Total DSG after academy and high needs recoupment			<b>(124,525)</b>
Plus: Brought forward from previous year			(10,930)
Agreed initial budgeted distribution in 2023-24	(47,193)	(88,263)	<b>(135,456)</b>
In year adjustments	(2,040)	162	(1,878)
<b>Final budget distribution for year</b>	<b>(49,233)</b>	<b>(88,101)</b>	<b>(137,334)</b>
Less: Actual central expenditure	38,187		38,187
Less: Actual ISB deployed to schools		87,990	87,990
Plus: Local Authority Contribution for 23/24	1,200		1,200
<b>Carry forward to 2024-25</b>	<b>(12,246)</b>	<b>(111)</b>	<b>(12,357)</b>
Plus/Minus: Carry-forward to 2024-25 agreed in advance			0
Carry forward to 2024-25			(12,357)
DSG unusable reserve at the end of 2022-23			11,187
Addition to DSG unusable reserve at the end of 2023-24			0
Total of DSG unusable reserve at the end of 2023-24			11,187
<b>Net DSG position (surplus) at the end of 2023-24</b>			<b>(1,170)</b>

<b>DSG Receivable for 2022-23</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for year before Academies and high needs recoupment			(184,925)
Academy and high needs figure recouped for year			62,338
Total DSG after academy and high needs recoupment			<b>(122,587)</b>
Plus: Brought forward from previous year			(3,970)
Agreed initial budgeted distribution in 2022-23	(36,746)	(89,811)	<b>(126,557)</b>
In year adjustments	(7,233)		(7,233)
<b>Final budget distribution for year</b>	<b>(43,979)</b>	<b>(89,811)</b>	<b>(133,790)</b>
Less: Actual central expenditure	34,792		34,792
Less: Actual ISB deployed to schools		89,267	89,267
Plus: Local Authority Contribution for 22/23	1,199		(1,199)
<b>Carry forward to 2023-24</b>	<b>(10,386)</b>	<b>(544)</b>	<b>(10,930)</b>
Plus/Minus: Carry-forward to 2023-24 agreed in advance			0
Carry forward to 2023-24			(10,930)
DSG unusable reserve at the end of 2021-22			11,187
Addition to DSG unusable reserve at the end of 2022-23			0
Total of DSG unusable reserve at the end of 2022-23			11,187
<b>Net DSG position (deficit) at the end of 2022-23</b>			<b>257</b>



## Note 36 - Grant Income

The Council credited the following grants and contributions to Taxation and Non-Specific Grant Income in the CIES:

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
0	Local Authority Housing Fund	(4,254)
(6,433)	High Needs Grant	(4,181)
(549)	Transport for London	(2,185)
(7,680)	Homes for Ukraine Main Tariff Grant	(1,135)
(1,192)	Schools Conditions Allocation Grant	(1,119)
(1,556)	Services Grant 22/23	(913)
(356)	Disabled Facilities Grant	(778)
(2,062)	Basic Need Grant	0
(5,166)	Social Care Grant*	0
(1,700)	Council Homes for London	0
(659)	Lower Tier Services Grant	0
2,843	Section 106 Capital Contributions	0
(1,434)	Public Sector Decarbonisation Grant	578
(1,887)	Community Infrastructure Levy Contributions	37
(836)	Other Capital Contributions under £500k	(1,613)
(214)	Other Capital Grants under £500k	(886)
(439)	Other Non-Ringfenced Grants and Contributions	(789)
<b>(29,320)</b>	<b>Total</b>	<b>(17,238)</b>

\*Social Care Grant in 2023/24 is credited to the Net Cost of Service.

The Council credited the following grants, contributions and donations to Net Cost of Service in the CIES:

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
(129,355)	Dedicated Schools Grant	(126,403)
(45,697)	Housing Benefit Grant	(46,493)
(9,874)	Public Health Grant	(10,196)
0	Social Care Grant	(8,814)
(7,129)	Better Care Fund Grant	(7,533)
(7,769)	Section 106 Receipts	(3,851)
(5,219)	Other Health Authority Contributions	(3,542)
0	South London Knowledge Exchange	(3,417)
(3,191)	Pupil Premium Grant	(3,214)
0	Mayor of London's Free School Meals	(2,773)
0	Mainstream Schools Additional Grant	(2,451)
(2,195)	Free School Meals Grant	(2,305)
0	Basic Needs Grant	(2,193)
(1,666)	Homelessness Prevention Grant	(2,104)
(1,770)	Asylums Seeker Grant	(1,810)
(1,694)	Schools' Private Finance Initiative Contributions	(1,723)
(1,673)	Household Support Fund	(1,673)
(446)	Market Sustainability and Improvement Fund*	(1,547)
(1,735)	Disabled Facilities Grant	(1,511)
(1,342)	Schools' Private Finance Initiative Grant	(1,342)
0	Market Sustainability and Improvement Fund - Workforce Fund	(1,005)
0	School NNDR	(858)
(1,026)	Covid-19 Test and Trace Contain Outbreak Management Fund	(18)
(2,223)	Schools Supplementary Grant	0
(360)	Covid-19 Funding	0
(1,498)	Place Funding Grant**	0
(17,085)	Other Grants under £1m	(15,847)
(277)	Other Contributions under £1m	(257)
<b>(243,224)</b>	<b>Total</b>	<b>(252,880)</b>

\* Market Sustainability and Improvement Fund (previously Market Sustainability and Fair Cost of Care) was included in Other Grants under £1m in 2022/23.

\*\* Place Funding Grant is included as Sixth Form Funding in Other Grants under £1m in 2023/24.

The Council has received several grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

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

<b>31 March</b>		<b>31 March</b>
<b>2023</b>		<b>2024</b>
<b>£000</b>		<b>£000</b>
(585)	Section 106 Contributions	(371)
(614)	Energy Bill Support Scheme Alternative Funding	0
(2,507)	Other Grants under £500k	(2,291)
<b>(3,706)</b>	<b>Total</b>	<b>(2,662)</b>

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

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
(1,744)	Basic Need Grant	(1,744)
<b>(1,744)</b>	<b>Total</b>	<b>(1,744)</b>

**Donated Assets**

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
(4,502)	Donated Assets	(4,502)
<b>(4,502)</b>	<b>Total</b>	<b>(4,502)</b>

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

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
(1,137)	Devolved Formula Capital Grant	(1,137)
(850)	Brownfield Land Release Funding	(730)
(210)	Other Grants under £500k	(263)
(177)	Other Contributions under £500k	(126)
<b>(2,374)</b>	<b>Total</b>	<b>(2,256)</b>

## Note 37 - Related Parties

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

### Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant part of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills and Housing Benefits). Grants receipts outstanding at 31 March 2024 are show in Note 36.

### West London Waste Authority (WLWA)

WLWA is a waste disposal authority composed of six London Borough councils: Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond. Councillor J. Neden-Watts is a Council appointed representative. £1.5m was received from WLWA in principal and interest payments and there were expenditure transactions of £7.6m relating to the WLWA contract.

## SPEAR

SPEAR is a provider of Homeless and Supported Living Services for residents. Councillor J. Cardy is a trustee of the charity during 2023/24. The Council made payments of £0.9m to SPEAR for grants and contributions to rough-sleeping initiatives. Minimal income for services was received during the year.

## South West Middlesex Crematorium Board (SWMCB)

The Board is composed of Councillors of five councils: Ealing, Hillingdon, Hounslow, Richmond, and Spelthorne. Councillor S. Nicholson is a member on the Board. Ms C. Baxter is Treasurer to the Board. There was £0.1m worth of expenditure transactions relating to VAT reimbursements in the year £0.1m of income was received from SWMCB during the year. Loans between the Council and SWMB are detailed in note 41.

## Twickenham Business Improvement District and Richmond Business Improvement District

Business Improvement Districts (BID) are not-for-profit organisations led by local businesses that aim to improve and enhance a specific commercial district. Councillor P. Giesler is the Vice Chairman on the board of Richmond BID.

The Council paid £0.9m in BID levy to Richmond BID. Minimal income for services was received during the year.

The Council paid £0.2m in BID levy to Twickenham BID. Minimal income for services was received during the year.

## Richmond Housing Partnership (RHP)

Richmond Housing Partnership (RHP) is a registered housing association which provides social housing on behalf of the Council. Councillor N. Baldwin declared to be a leaseholder with RHP. Payments totalling £0.3m were made to RHP for supported and other housing services. The Council received £0.2m from RHP for services provided during the year.

## Kingston Hospital NHS Foundation Trust

Kingston Hospital is a general hospital supporting South West London. Councillor P. Allen is an appointed Governor on the Council of Governors. £0.6m was paid to Kingston NHS Foundation for service provision during the year.

## London Councils

London Councils is a cross-party organisation that represents the interests of the 32 London boroughs and the city of London corporations. Councillor G. Roberts is an Executive Member (Vice Chair) and a Leaders' Committee Member. The Council paid £1.9m for subscription fees and services, minimal income was received during the year.

## Local Government Association (LGA)

The Local Government Association (LGA) is the national membership body for local authorities in England and Wales, it works on behalf of councils to give local government a voice with national government. Councillor G. Roberts is a peer member of the LGA. During the year, the Council received £1.3m income for grants and other funding agreements. Minimal payments were made to LGA during the year.

## Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 32. During the year, works and services to the net value of £1m (£0.3m in 2022/23) were commissioned for companies, voluntary and similar organisations in which Members declared an interest.

Contracts were entered in full compliance with the Council's standing orders. In all instances, transactions were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision. Details of these transactions are recorded in the register of members interest, open to public inspection at the town hall during office hours.

### Note 38 - Capital Expenditure and Capital Financing

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
166,136	Opening Capital Financing Requirement	165,424
	Capital Investment:	
17,238	Property Plant and Equipment	15,442
9,691	Infrastructure Assets	14,897
2	Heritage Assets	3
0	Intangible Assets	25
8,841	Revenue Expenditure Funded from Capital Under Statute	9,757
<b>35,772</b>	<b>Total Capital Spending</b>	<b>40,124</b>
	Sources of Finance:	
(5,899)	Capital receipts	(1,509)
(17,933)	Government Grants and other contributions	(16,865)
	Sums set aside from revenue:	
(5,794)	- Direct revenue contributions	(6,920)
(6,858)	- Minimum revenue provision	(6,254)
<b>(36,484)</b>	<b>Total Sources of Finance</b>	<b>(31,548)</b>
<b>165,424</b>	<b>Closing Capital Financing Requirement</b>	<b>174,000</b>
	<b>Explanation of movements in year</b>	
<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
6,146	Increase in underlying need to borrow	14,828
(6,859)	Other movements	(6,254)
<b>(713)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>8,574</b>

### Note 39 - Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for

classification. The Council has several assets under finance leases and these assets are recognised on the Council's Balance Sheet. A corresponding liability is recognised in the Accounts and written off to the CIES as payments are made. All the finance leases for property (except for the Quadrant Car Park) included premiums that wrote down the lease liability at the start of the lease with annual rents restricted to a peppercorn. The difference between the future minimum lease payments and the liability is the interest cost and is recognised in the CIES as it is paid.

#### Authority as Lessee - Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the following net amounts:

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
4,059	Other Land and Buildings	4,564
<b>4,059</b>	<b>Total</b>	<b>4,564</b>

Finance Lease liabilities (NPV of minimum lease payments)

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
8	Not later than one year	8
33	Later than one year and not later than five years	33
327	Later than five years	319
<b>368</b>	<b>Total</b>	<b>360</b>

#### Authority as Lessee - Operating Leases

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

<b>31 March 2023 (Restated) £000</b>		<b>31 March 2024 £000</b>
3,297	Not later than one year	3,413
3,944	Later than one year and not later than five years	3,640
14,946	Later than five years	14,568
<b>22,187</b>	<b>Total</b>	<b>21,621</b>

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

<b>31 March 2023 Restated £000</b>		<b>31 March 2024 £000</b>
3,372	Minimum lease payments	3,375
620	Contingent rents	601
(1,048)	Less: Sublease payments receivable	(1,041)
<b>2,944</b>	<b>Total</b>	<b>2,935</b>

Authority as Lessor - Finance Leases

The gross investment is made up of the following amounts:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
1,619	Current	1,618
9,618	Unearned finance income	9,498
<b>11,237</b>	<b>Gross investment in the lease</b>	<b>11,116</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
121	Not later than one year	121
483	Later than one year and not later than five years	483
10,633	Later than five years	10,512
<b>11,237</b>	<b>Total</b>	<b>11,116</b>

The Council leases out property under operating leases for the provision of community services, economic development purposes and for use by partner organisations. The future minimum lease payments receivable under non-cancellable leases in future years, including sub-lease arrangements are shown below.

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2023/24 £0.5m contingent rents were receivable by the Council (£0.3m in 2022/23).

Authority as Lessor - Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
2,323	Not later than one year	2,646
6,246	Later than one year and not later than five years	6,353
21,151	Later than five years	24,621
<b>29,720</b>	<b>Total</b>	<b>33,620</b>

Note 40 - Service Concession Arrangements

The Council has two Private Finance Initiative schemes (Primary Schools and Residential Care Homes).

### Primary Schools PFI Scheme

2023/24 was the 21st year of a thirty year PFI contract for the construction and maintenance of six schools in the Borough, four of which are Council owned and two of which are part of voluntary aided (VA) schools. The Council has rights under the contract to use all of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed in the schools. The buildings and any plant and equipment installed in the schools at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to voluntarily terminate the contract if it compensates the contractor in full for borrowing costs incurred and redundancy costs of relevant employees.

### Residential Care Homes PFI Scheme

2023/24 was the 23rd year of a twenty five year PFI contract for the construction, maintenance and operation of three care homes. The Council has rights under the contract to use one hundred and seventy five bed spaces provided, and the option to purchase any of the forty three remaining beds. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the homes and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the homes as well as staffing them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

### Property Plant and Equipment

Movement in the value of the Council's PFI assets (not including voluntary aided school buildings) over the year are detailed below:



**Movement in PFI Assets 2023-24**

	<b>Residential Care Homes £000</b>	<b>Primary Schools £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
at 1 April 2023	16,127	19,069	35,196
Additions	0	22	22
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,282	1,147	2,429
<b>at 31 March 2024</b>	<b>17,409</b>	<b>20,238</b>	<b>37,647</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2023	(89)	(104)	(193)
Depreciation charge	(338)	(389)	(727)
Depreciation written out to the Revaluation Reserve	308	356	664
<b>at 31 March 2024</b>	<b>(119)</b>	<b>(137)</b>	<b>(256)</b>
<b>Net Book Value</b>			
<b>at 31 March 2024</b>	<b>17,290</b>	<b>20,101</b>	<b>37,391</b>
<b>at 31 March 2023</b>	<b>16,038</b>	<b>18,965</b>	<b>35,003</b>

**Movement in PFI Assets 2022-23**

	<b>Residential Care Homes £000</b>	<b>Primary Schools £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
at 1 April 2022	14,058	17,490	31,548
Additions	0	18	18
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,069	1,561	3,630
<b>at 31 March 2023</b>	<b>16,127</b>	<b>19,069</b>	<b>35,196</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2022	(76)	(93)	(169)
Depreciation charge	(319)	(381)	(700)
Depreciation written out to the Revaluation Reserve	306	370	676
<b>at 31 March 2023</b>	<b>(89)</b>	<b>(104)</b>	<b>(193)</b>
<b>Net Book Value</b>			
<b>at 31 March 2023</b>	<b>16,038</b>	<b>18,965</b>	<b>35,003</b>
<b>at 31 March 2022</b>	<b>13,982</b>	<b>17,397</b>	<b>31,379</b>

### Total Liability - Long and Short Term

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable whilst the capital expenditure remains yet to be reimbursed. The liability outstanding to pay the contractor for capital expenditure relating to Council assets incurred is as follows:

<b>Movement in PFI Liabilities</b>			
<b>2023-24</b>	<b>Residential Care Homes</b>	<b>Primary Schools</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	(3,233)	(6,142)	(9,375)
Payments during the year	419	986	1,405
<b>Balance outstanding at year-end</b>	<b>(2,814)</b>	<b>(5,156)</b>	<b>(7,970)</b>
<b>2022-23</b>	<b>Residential Care Homes</b>	<b>Primary Schools</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	(4,137)	(6,527)	(10,664)
Payments during the year	904	385	1,289
<b>Balance outstanding at year-end</b>	<b>(3,233)</b>	<b>(6,142)</b>	<b>(9,375)</b>

This table does not include voluntary aided (VA) school buildings which are not owned or controlled by the Council, and where the Council has legal right to reimbursement from the VA schools for any such costs.

### Payments due under PFI Schemes

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability or performance standards. In all other circumstances the payments are fixed. The care home contract has a provision to vary charges based on the usage and configuration of beds from residential, to various types of nursing or other support.

Payments remaining to be made under these PFI contracts at 31 March 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

<b>Reimbursement of Capital Expenditure</b>	<b>Residential Care Homes</b>	<b>Primary Schools</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	1,075	457	1,532
Payable within two to five years	1,172	2,280	3,452
Payable within six to ten years	0	2,987	2,987
<b>Total</b>	<b>2,247</b>	<b>5,724</b>	<b>7,971</b>
<b>Interest</b>	<b>Residential Care Homes</b>	<b>Primary Schools</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	153	479	632
Payable within two to five years	56	1,464	1,520
Payable within six to ten years	0	523	523
<b>Total</b>	<b>209</b>	<b>2,466</b>	<b>2,675</b>

<b>Payment for Services</b>	<b>Residential Care Homes</b>	<b>Primary Schools</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	7,295	4,398	11,693
Payable within two to five years	7,670	19,601	27,271
Payable within six to ten years	0	16,905	16,905
<b>Total</b>	<b>14,965</b>	<b>40,904</b>	<b>55,869</b>

The service charge above includes payments which do not relate to the financing of Council assets. This therefore includes payments to the school's PFI contractor which will be fully reimbursed by VA schools, including financing of VA buildings.

## Note 41 - 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 payment.
- Market risk (interest rate risk)– the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, fair value and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central Accountancy Team within the Financial Management Division, under policies approved by the Council in the annual Treasury Management Strategy.

### Credit Risk

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

For investments the Council's investment objectives are to achieve security and liquidity of investments and obtain the optimum return commensurate with the prior objectives. Overall levels of investment are governed by cash flow, and cash flow projections are used to determine the duration of investments made to ensure sufficient liquidity.

#### Fixed Term Deposits Banks and Building Societies

This risk is minimised through the Council's Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Policy also imposes a maximum sum to be invested with a financial institution located within each category. During the year treasury management is regularly reviewed at the monthly treasury management team meeting. The 2023/24 policy (as amended in November 2023) was as follows:

- Up to £20m in one country and up to £50m in overseas banks with a minimum sovereign criteria AA (except UK)
- Up to 2 years has a limit of £10m. Minimum criteria includes a Fitch rating of F1+ or AA, Moody's rating of P-1 or Aa3, S&P rating of A-1+ or AA-. In addition, a sovereign rating

of AAA (Except UK). Investments for periods longer than 364 days must be authorised by the Executive Director of Finance and investments shall not be longer than 2 years unless fall under exemptions detailed in the treasury management policies.

- c) Up to 1 year with a limit of £5m. Minimum criteria includes a fitch rating of F1, Moody's rating of P-1 and S&P rating of A-1. In addition, a sovereign rating of AA (except UK).
- d) Up to 6 months with a Limit of £5m. Minimum Criteria includes: Fitch rating of F2, Moody's rating of P-2 and S&P rating of A-2. In addition, a sovereign rating of AA.
- e) Short Term Up to 3 months with a Limit of £5m Minimum Criteria includes: Fitch rating of F2, Moody's rating of P-2 and S&P rating of A-2. Two out of the 3 rating agencies if the institution is rated by only 2 agencies. In addition, a sovereign rating of AA.
- f) Up to £20m with banks owned 20% or more by the UK Government (e.g. NatWest Group). Included in this limit is any balance held in notice funds held with these institutions.

#### Local Authorities Fixed Term deposits

Local authorities and joint authorities are generally not credit rated but are considered stable and secure. No local authority or joint authority has ever defaulted on a loan repayment. Furthermore, the Local Government and Housing Act 1989 (section 47) states that any loan which is not paid back on the due date is a charge on future revenues until such time as it is discharged in full. Both local and joint authorities are therefore assessed to be very low risk counterparties. Minimum criteria include:

- Assessing a clear audit opinion
- The capital financial requirement compared to long and short term borrowing is under 100% including the relevant new investment
- The authority's council tax requirement is under 10% of the cumulative loan requested. The maximum loan should be the lower of £5m or the 10% Council Tax requirement.

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

#### Money Market Funds and Short Dated Income Funds

Investments may also be placed directly in commercial sterling money market funds (MMFs) with AAA ratings from one of the three main credit rating agencies and if the fund has more than one rating each rating shall be AAA.

Investments shall be placed in accordance with the following criteria:

- a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Treasury Management meetings within the Finance Directorate. Daily operation of the funds is managed by the Accountancy Team.
- b) The maximum overall limit for the use Funds shall be within the overall £20m long term investments total.
- c) The maximum limit for each counterparty shall be £10 million.

- d) For an AA rated Fund, the maximum investment in any Fund shall not exceed £5 million, or 7.5% of assets under management, whichever is the lower.

The council currently has seven MMFs open:

- Aberdeen Liquidity Sterling Fund
- Federated Short Term Sterling Prime Fund
- Insight Liquidity Fund
- Morgan Stanley Sterling Liquidity Fund
- Deutsche Sterling Platinum
- JPMorgan Sterling Liquidity Fund
- Goldman Sachs Sterling Liquid Reserves

These limits on amounts to be placed with counterparties are based both on the credit assessment of the counterparty, and with a view to limiting the Council's exposure with any one institution.

#### Loans and trade debtors

For loans and trade debtors, customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings within parameters set by the Council.

#### West London Waste Authority

The Council has made a long term loan to West London Waste Authority (WLWA) of £15m to part finance the construction of a new waste facility. This loan was agreed as a Council policy decision as a member of the WLWA and not for investment purposes. WLWA is a waste disposal authority controlled by its six constituent Councils, it is therefore assessed to have the same risk as a local authority.

#### Home Loans Unit Investment Criteria

The Home Loans Unit investment criteria will be the same as the Council's. The Unit is in a position of nearing the end of its life as mortgages are repaid. This means that the balances held will be too low to manage as investments and therefore deemed to be held for cash flow purposes. The Unit distributes mortgage receipts twice a year to London boroughs and therefore needs to hold the balances short term. The Unit currently holds its cash with NatWest, which is part of the NatWest Group. The Unit's deposit account with NatWest is deemed to be a separate account outside the Council's investment total and not included in the Council's counterparty exposure.

#### South West Middlesex Crematorium Board

The Board invests its cash balance with the Council. Once the balance is passed to the Council, it is included in the Council's cash balance for investment. It will therefore be treated as the Council's investment, and accounted for as such, with the amount showing as due to the Board.

#### Central government debt management account deposit facility (DMADF)

No maximum limit as DMADF is part of HM Treasury. DMADF deposits and other forms of lending to the UK Government can be considered to be a minimum risk investment.

## Longer Term Investments

Longer term investments up to 2 years and a limit of £10m. Minimum criteria includes a Fitch rating of F1+ or AA, Moody's rating of P-1 or Aa3, S&P rating of A-1+ or AA-. In addition, a sovereign rating of AAA (Except UK). Investments shall be for no longer than two years, unless specifically identified as one of the exceptions below. The amount that can prudently be invested for longer than 364 days, but for no longer than two years must relate to forecasts of investments taking into account foreseeable net spending needs and allowing for adequate reserves and contingencies. As investment levels are not expected to fall below £135 million over the next two years, a prudent limit for the maximum amount to be invested for longer than 364 days but for no longer than two years is £20 million. Investments over 364 days shall not exceed £10 million with any individual counterparty.

Investments could include individual corporate bonds (grade BBB and above), fixed income funds, equity funds; and multi asset funds. In addition, investments may be made in products akin to those currently used by the Pension Fund. Where practicable, suitable hedging arrangements will be made on all such investments; however, it is recognised that hedging (outside a fund) against downside risk will often be cost prohibitive therefore risk management will focus on diversification. The total amount invested with any one manager shall not exceed £10m unless capital appreciation takes an initial investment over that value. Any new investment should not make the cumulative investments higher than 15% of total investments or 20% of the lowest cash flow projection over 3 years (inclusive of the year of investment) when placed.

## **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 (includes both principal and interest payments):

<b>Liquidity Risk</b>	<b>31 March 2023</b>	<b>31 March 2024</b>
	<b>£000</b>	<b>£000</b>
Less than one year	4,441	1,471
Between one and two years	6,712	5,816
Between two and five years	24,893	12,863
More than five Years	75,168	33,542
More than ten years	78,955	58,536
<b>Total</b>	<b>190,169</b>	<b>112,228</b>

## **Interest Rate Risk**

In 2023/24 interest rates have increased and the Council has a number of strategies for managing interest rate risk within these economic circumstances. Treasury policy limits use of variable rate loans to a maximum of 50% of borrowing. The Accountancy Team will monitor interest rates and forecasts to adjust exposures appropriately. Movements in interest rates have a complex impact on the Council. As an example, an increase in interest rates would have the following effects:

- Borrowing at variable rates - the interest charged to the CIES will rise.
- Borrowing at fixed rates - the fair value of the borrowing will fall.
- Investments at variable rates - the interest income credited to the CIES will rise.
- Investments at fixed rates - the fair value of the asset will fall.

Current long-term borrowing are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowing and investments will be posted to the CIES and affect the General Fund pound for pound.

The Accountancy Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the expenditure projections quarterly during the year. No new borrowing was taken out in 2023/24 therefore there was no impact from rising interest rates.

<b>Market Risk - Interest Rate Risk</b>	<b>31 March 2024</b>
	<b>£000</b>
Increase in interest payable on variable rate borrowings	66
Increase in interest receivable on variable rate investments	(2,906)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(2,840)</b>

## Note 42 - Pension Schemes Accounted for as Defined Contribution Schemes

The Council participates in two Defined Benefit pension schemes which are accounted for as Defined Contribution schemes:

### Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the DfE. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

The scheme has in excess of 10,000 participating employees and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a Defined Benefit basis and detailed in note 42. The Council is not liable to the scheme for any other entity's obligations under the plan.

### NHS Pension Scheme

Some statutorily transferred staff are members of the NHS Pension Scheme. The scheme is unfunded and is administered by NHS Pensions, part of the NHS Business Services Authority which is an arm's length body of Department of Health and Social Care.

The NHS Pension Scheme is an unfunded, multi-employer, defined benefit scheme that covers NHS employees. In the NHS, the scheme is accounted for as if it were a defined contribution scheme. 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. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is not liable to the scheme for any other entity's obligations under the plan.

	Teacher's Pension Scheme		NHS Pension Scheme	
	2022-23	2023-24	2022-23	2023-24
<b>Total Contributions</b>	<b>£8.8m</b>	<b>£8.4m</b>	<b>£0.01m</b>	<b>£0.07m</b>
Employer's Contribution Rate:				
From 1 April	23.68%	23.68%	14.38%	14.38%
From 1 September	23.68%	23.68%	-	-
Anticipated Employer's Contributions next year	23.68%	23.68%	14.38%	14.38%

## Note 43 - Defined Benefit Pension Scheme

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

The London Borough of Richmond Pension Fund was merged with the Wandsworth Council Pension Fund during 2016/17 under statutory instrument. The authority is now an employer in the Wandsworth Council Pension Fund Scheme which is operated under the regulatory framework for Local Government Pension Scheme (LGPS) and the governance of the scheme is the responsibility of Wandsworth Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Joint Pensions Committee within Wandsworth Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale 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 the amounts required by statute as described in the accounting policies note.

The authority 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 IAS 19 is reversed out of the General Fund via the MiRS. The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

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

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgement has now been upheld by the Court of Appeal. The LGPS is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the LGPS actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed, however at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to



conclude whether there is any impact on the liability. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

In 2023/24 the Council adopted an asset ceiling in reporting its net liability. Accounting standards only allow an asset to be recognised to the extent that the employer can gain economic benefits from the surplus. Economic benefit can be gained in two ways – either via a refund, or via a reduction in future contributions. The limit to the net asset is known as the asset ceiling. Under IFRIC14, Scheduled Bodies like the Council cannot use the option of getting a refund due to participation in the LGPS and the fact that the refund must be unconditional. The asset ceiling adjustment is calculated by the Council's actuaries.

<b>2022-23</b>		<b>2023-24</b>
<b>LGPS - WBC Pension Fund</b>	<b>General Fund Transactions</b>	<b>LGPS - WBC Pension Fund</b>
<b>£000</b>		<b>£000</b>
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
	Service cost comprising:	
24,692	Current service cost	11,822
149	Past service cost	184
(216)	(Gain) / loss from settlements and / or transfers	0
385	Administration expenses	453
203	Net interest expense	(5,128)
<b>25,213</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>7,331</b>
<b>2022-23</b>	<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2023-24</b>
<b>£000</b>		<b>£000</b>
	Re-measurement of the net defined benefit liability comprising:	
53,366	Return on plan assets (excluding the amount included in the net interest expense)	(68,902)
74,898	Actuarial gains and losses - experience	2,036
0	Actuarial gains and losses arising on changes in demographic assumptions	(8,997)
(364,408)	Actuarial gains and losses arising on changes in financial assumptions	(11,486)
0	Change in effect of Asset Ceiling	183,584
<b>(236,144)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>96,235</b>
<b>(210,931)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>103,566</b>

<b>2022-23</b>	<b>Movement in Reserves Statement</b>	<b>2023-24</b>
<b>LGPS - WBC Pension Fund</b>		<b>LGPS - WBC Pension Fund</b>
<b>£000</b>		<b>£000</b>
(25,213)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(7,331)
	Actual amount charged against the general fund balance for pensions in the year:	
15,652	Employers' contributions payable to scheme	15,802
<b>2022-23</b>	<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2023-24</b>
<b>LGPS - WBC Pension Fund</b>		<b>LGPS - WBC Pension Fund</b>
<b>£000</b>		<b>£000</b>
(642,442)	Present value of the defined obligation	(640,921)
715,897	Fair value of plan assets	810,196
0	Impact of Asset Ceiling	(183,584)
<b>73,455</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(14,309)</b>
<b>2022-23</b>	<b>Movement in the Value of Scheme Assets</b>	<b>2023-24</b>
<b>LGPS - WBC Pension Fund</b>		<b>LGPS - WBC Pension Fund</b>
<b>£000</b>		<b>£000</b>
<b>753,694</b>	<b>Opening Balance</b>	<b>715,897</b>
24,266	Interest income	35,774
	Re-measurement gain / (loss):	
(53,366)	The return on plan assets, excluding the amount included in the net interest expense	68,902
15,652	Contributions from employer	15,802
4,636	Contributions from employees into the scheme	4,839
(27,525)	Benefits / transfers paid	(30,565)
(385)	Administration expenses	(453)
(1,075)	Assets Extinguished on Settlement	0
<b>715,897</b>	<b>Closing value of scheme assets</b>	<b>810,196</b>

2022-23			2023-24	
LGPS - WBC Pension Fund		Movements in the Fair Value of Scheme Liabilities	LGPS - WBC Pension Fund	
£000			£000	
<b>(906,822)</b>	<b>Opening Balance</b>		<b>(642,442)</b>	
(24,692)	Current service cost		(11,822)	
(24,469)	Interest cost		(30,646)	
(4,636)	Contributions from scheme participants		(4,839)	
	Re-measurement gains and losses:			
(74,898)	- Actuarial gains / (losses) - experience		(2,036)	
0	- Actuarial gains / (losses) from changes in demographic assumptions		8,997	
364,408	- Actuarial gains / (losses) from changes in financial assumptions		11,486	
(149)	Past service cost		(184)	
27,525	Benefits / transfers paid		30,565	
1,291	Liabilities extinguished on settlements		0	
<b>(642,442)</b>	<b>Balance as at 31 March</b>		<b>(640,921)</b>	

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

2022-23			2023-24	
LGPS - WBC Pension Fund		Asset Allocation	LGPS - WBC Pension Fund	
£000	%		£000	%
28,058	3.92%	Cash and cash equivalents	28,494	3.52%
404,673	56.53%	Equities	472,490	58.31%
0	0.00%	Gilts	0	0.00%
114,708	16.02%	Corporate Bonds	120,923	14.93%
94,210	13.16%	Property	106,046	13.09%
74,248	10.37%	Multi-Asset Funds	82,243	10.15%
<b>715,897</b>	<b>100.00%</b>	<b>Scheme assets</b>	<b>810,196</b>	<b>100.00%</b>

### Basis for 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 dependant on assumptions about mortality rates, salary levels etc. Both the LGPS and discretionary benefits liabilities have been estimated by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for Statements of the Council Fund are being based on the latest full valuation of the scheme as at 31 March 2022. The significant assumptions used by the Actuary have been:

2022-23

LGPS - WBC Pension Fund

2023-24

<u>LBR</u>	<u>SSA</u>	<u>Mortality assumptions</u>	<u>LBR</u>	<u>SSA</u>
		<u>Longevity at retirement for current pensioners (years)</u>		
21.1	21.1	Men	20.8	20.8
23.5	23.5	Women	23.3	23.3
		<u>Longevity at retirement for future pensioners (years)</u>		
22.3	22.3	Men	22.0	22.0
25.0	25.0	Women	24.7	24.7
		<u>Other assumptions</u>		
3.30%	3.20%	Rate of inflation (RPI)	3.25%	3.15%
2.90%	2.90%	Rate of inflation (CPI)	2.90%	2.90%
3.90%	3.90%	Rate of increase in salaries	3.90%	3.90%
2.90%	2.90%	Rate of increase in pensions	2.90%	2.90%
4.80%	4.80%	Rate for discounting scheme liabilities	4.90%	4.95%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only 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.

<b>WBC Fund 2022-23</b>				<b>WBC Fund 2023-24</b>		
<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>	Adjustment to discount rate	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
633,069	642,442	652,047	Present Value of Total Obligation	631,619	640,921	650,451
11,198	11,589	11,993	Projected Service Cost	11,205	11,599	12,006
<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>	Adjustment to long term salary increase	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
642,963	642,442	641,924	Present Value of Total Obligation	641,420	640,921	640,425
11,597	11,589	11,381	Projected Service Cost	11,607	11,599	11,591
<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>	Adjustment to pension increases & deferred revaluation	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
651,697	642,442	633,407	Present Value of Total Obligation	650,133	640,921	631,925
11,998	11,589	11,193	Projected Service Cost	12,012	11,599	11,200
<b>+ 1 Year</b>	<b>None</b>	<b>-1 Year</b>	Adjustment to mortality age rating assumption	<b>+ 1 Year</b>	<b>None</b>	<b>-1 Year</b>
670,229	642,442	615,952	Present Value of Total Obligation	668,211	640,921	614,893
12,036	11,589	11,155	Projected Service Cost	12,050	11,599	11,159

## Impact on the Council's Cash Flows

The Council's objectives for the scheme are to keep employers' contributions as a constant a rate as possible while still moving to a projected 100% funded position over a reasonable period. The Council is no longer the administering authority for the Fund it is a member of but does retain representation on the committee of the Fund. The last triennial valuation took place as at 31 March 2022.

This valuation set a rate of 24.8% (24.4% previously) There is no lump sum for the next three years from 2023/24 to 2025/26 (£1.3m previously) from the Council including community schools.

## Note 44 - Contingent Liabilities

Contingent liabilities relate to possible expenditure arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise or cannot be reliably estimated as the possible liability is dependent on the outcome of something happening in the future. A review is undertaken annually to identify any potential liabilities.

At 31 March 2024, the Council had some outstanding legal and insurance cases which could give rise to a liability in the future. If the cases do give rise to a liability these costs will be met from the insurance provision (based on the total value of all outstanding cases) or from in year budgets, however the Council are not expecting any material cases.

AfC have reported a net pension liability of £7.4m in their 2023/24 Accounts. As 40% share owners the Council would be responsible for meeting their share of this liability were AfC to cease trading. AfC have been assessed to be a Going Concern since their inception.

## Note 45 - Contingent Assets

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

There were no contingent assets outstanding as at 31 March 2024.

## Note 46 - Trust Funds

The following table provides a summary of the main trust funds held by the Council and details the total value and movement in year. The trust funds are separate entities, and not part of the Council's single entity CIES or Balance Sheet.

Orleans House Trust forms part of the Council's consolidated Group Accounts. Funds held as housing trust funds were returned to Richmond Housing Partnership in 2023/24.

<b>2023-24</b>				
<b>Fund</b>	<b>Income</b>	<b>Expenditure</b>	<b>Assets</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Orleans House	0	0	9,700	
Other minor trust funds	(11)	26	226	
<b>Total</b>	<b>(11)</b>	<b>26</b>	<b>9,926</b>	

<b>2022-23</b>			
<b>Fund</b>	<b>Income</b>	<b>Expenditure</b>	<b>Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Orleans House	0	0	10,138
Housing Trust	(60)	0	2,681
Other minor trust funds	(5)	0	242
<b>Total</b>	<b>(65)</b>	<b>0</b>	<b>13,061</b>

## Note 47 - Home Loans Unit (HLU)

In 1988 the Council took over the responsibility for the former Greater London Council (GLC) mortgage portfolio. The details of the transfer of this function and the terms on which the Council undertakes the functions are set out in the London Government Reorganisation (Mortgages) Order 1988, SI 1988 (1747). The Council administers all transactions, assets and liabilities relating to the previously made mortgages on behalf of all London Borough councils through the HLU. Revenue and capital surpluses are distributed to the councils on the basis set in the SI based on estimates.

No new mortgage advances are made, and all remaining principal is now due. The long-term assets are equity share properties that are 50% owned by the individual mortgagors and 50% owned by the HLU. Capital receipts on sale of these properties are distributed to these councils at the year-end.

The following table provides detail of the HLU's Balance Sheet:

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
6,576	Equity Shares in Property	6,691
<b>6,576</b>	<b>Long Term Assets</b>	<b>6,691</b>
13	Short-Term Investments	13
0	Short-Term Debtors	3
1,099	Cash and Cash Equivalents	1,168
<b>1,112</b>	<b>Current Assets</b>	<b>1,184</b>
(1,090)	Short-Term Creditors	(1,160)
<b>(1,090)</b>	<b>Current Liabilities</b>	<b>(1,160)</b>
<b>6,598</b>	<b>Net Assets</b>	<b>6,715</b>
(22)	Usable Reserves	(24)
(6,576)	Unusable Reserves	(6,691)
<b>(6,598)</b>	<b>Total Reserves</b>	<b>(6,715)</b>

## Note 48 – Group Relationships

### **Interests in Companies and Other Entities**

#### Orleans House Trust

The Council is the sole trustee of Orleans House Trust. The trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection. Previously the Council was not able to benefit from the assets of the trust as there was a clear separation between the operations of the trust and the cultural services of the Council. During 2013/14 a formal management agreement was signed which enables the trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured. The agreement ensures that both organisations aims are achieved in the most cost-effective way. The objectives of both organisations are delivered by the same team located at Orleans House premises. The Council continues to assess that the management agreement effectively formalises the sharing of benefits from the assets of the trust and the Council and that this satisfies the conditions for group account reporting. The 2023/24 Accounts therefore present the trust as a Subsidiary of the Council.

#### Achieving for Children (AfC)

Group Accounts have been included in this Statement of Accounts, recognising the Council's significant interest in AfC which is a joint venture (community interest company) with RB Kingston and RB Windsor and Maidenhead. From the Council's perspective, AfC continues to be a Joint Venture which is consolidated in these Accounts using the equity method. The judgement is made on the basis that AfC being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two founding councils have rights to the net assets of the arrangement. AfC continues to operate at arm's length from the Council and LB Richmond therefore acts as commissioners – commissioning AfC to provide services such as children's social care, adoption, fostering, high quality support for schools, children's centres and support for children with special educational needs, including transport.

### **Shared Services**

#### The SSA with Wandsworth Council

As detailed in the Narrative Report, LB Richmond and Wandsworth Council formed a shared staffing arrangement from the 1 October 2016. Where LB Richmond has entered into specific relationships with Wandsworth Council and its existing partners, these are detailed below.

#### South London Legal Partnership (SLLP)

First formed in 2011, the South London Legal Partnership is a shared legal service for a sub-regional collaboration of five London boroughs. Working on behalf of the London Boroughs of Merton, Richmond, Kingston, Sutton and Wandsworth. The service is hosted by LB Merton but governed by a joint board which oversees the delivery of services.

The aim of the service is to provide more resilient and higher quality legal services than that provided by each authority individually, assuming that future savings will need to be made to the budgets of all local authorities. The service is ISO 9001:2015 accredited and provides the full remit of local authority legal services to the Directorates of all councils as well as advice to councillors, the committees of the councils and to schools.

The Council incurred expenditure of £0.9m 2023/24 (£0.7m in 2022/23) in relation to SLLP.

#### Internal Audit and Investigations Service (IAIS)

Internal Audit is delivered by the South West London Audit Partnership (SWLAP) which is a five Borough shared audit service covering the London Boroughs of Merton, Richmond, Sutton, Kingston, and Wandsworth – with Richmond and Wandsworth SSA being the host. SWLAP also includes delivery of audit services to AfC. The audit service is largely provided by the in-house audit team however specialist audit services are procured through the Croydon framework contract which is currently provided by Mazars.

Fraud work is undertaken by the South West London Fraud Partnership (SWLFP) which is a shared service covering the same five boroughs and again led by the SSA. Both the shared audit and fraud services are overseen by the Shared Service Board which includes the Section 151 officers from each of the constituent councils or their delegated representatives. The partnering boroughs are charged based on time spent and an agreed audit day rate.

The Council spent £1.6m on the Internal Audit side of IAIS in 2023/24 and recovered £1.1m from the partnering boroughs (£1.5m expenditure and £1m income in 2022/23).

#### Pension Shared Service

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

The Council did not incur expenditure in 2023/24 (nor in 2022/23) in relation to this service.

#### Consumer Protection Service

Since 2014 the Council has had a joint arrangement with LB Merton for the provision of Consumer Protection. The service is hosted by LB Merton but governed by a joint board who oversee the delivery of services. Currently only staffing costs relating to employees based at LB Richmond are paid by LB Merton and recharged back to LB Richmond.

The Council incurred expenditure of 0.2m in 2023/24 (£0.5m in 2022/23) in relation to this shared service.



## 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 (Non-Domestic Rates - NDR) and the Business Rates Supplement (BRS).

31 March 2023				31 March 2024				
Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
£000	£000	£000	£000		£000	£000	£000	£000
<b>INCOME:</b>								
		(181,747)	(181,747)	Council Tax Receivable			(193,338)	(193,338)
(73,127)			(73,127)	Business Rates Receivable	(71,501)			(71,501)
578		(2)	576	Transitional Protection Payments Receivable	(5,502)		0	(5,502)
	(1,885)		(1,885)	Business Rates Supplements receivable		(1,953)		(1,953)
		(5)	(5)	Transfer from General Fund re Covid Hardship			(320)	(320)
<b>(72,549)</b>	<b>(1,885)</b>	<b>(181,754)</b>	<b>(256,188)</b>	<b>Total amounts to be credited</b>	<b>(77,003)</b>	<b>(1,953)</b>	<b>(193,658)</b>	<b>(272,614)</b>
<b>EXPENDITURE:</b>								
<b>Apportionment of Previous Year Surplus/Deficit:</b>								
(10,310)			(10,310)	Central Government	251			251
(9,373)		800	(8,573)	LB Richmond	228		290	518
(11,560)		183	(11,377)	Greater London Council	282		(70)	212
<b>Precepts, demands and shares:</b>								
23,995			23,995	Central Government	25,752			25,752
21,814		144,226	166,040	LB Richmond	23,411		152,423	175,834
26,093		35,090	61,993	Greater London Council	28,874		38,905	67,779

				<b>Business Rate Supplement:</b>				
	1,969		1,969	Payment to levying authority's Business Rate Supplement Revenue Account		1,943		1,943
	6		6	Administrative Costs		6		6
				<b>Charges to Collection Fund:</b>				
331		230	561	Write-offs of uncollectable amounts	(76)		1,413	1,337
584	(90)	434	928	Increase/(decrease) in allowance for impairment	613	4	(179)	438
3,427			3,427	Increase/(decrease) in allowance for appeals	(3,087)			(3,087)
269			269	Charge to General Fund for allowable collection costs for non-domestic rates	264			264
<b>46,080</b>	<b>1,885</b>	<b>180,963</b>	<b>228,928</b>	<b>Total amounts to be debited</b>	<b>76,512</b>	<b>1,953</b>	<b>192,782</b>	<b>271,247</b>
<b>(26,469)</b>	<b>0</b>	<b>(791)</b>	<b>(27,260)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>(491)</b>	<b>0</b>	<b>(876)</b>	<b>(1,367)</b>
31,752	0	(246)	31,506	(Surplus)/Deficit brought forward	5,283	0	(1,037)	4,246
(26,469)	0	(791)	(27,260)	Movement during the year	(491)	0	(876)	(1,367)
<b>5,283</b>	<b>0</b>	<b>(1,037)</b>	<b>4,246</b>	<b>(Surplus)/Deficit carried forward</b>	<b>4,792</b>	<b>0</b>	<b>(1,913)</b>	<b>2,879</b>

## Notes to the Collection Fund

This note shows the calculation of the Council Tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of band D dwellings.

### **Note 1 – Council Tax Income**

#### **2023-24**

Band	Valuation band limits £	Calculated no of dwellings No	Ratio to band D	Equated No of dwellings	
				No	
A	Up to and including - 40,000	364	6/9	243	
B	40,001 - 52,000	1,335	7/9	1,038	
C	52,001 - 68,000	9,227	8/9	8,202	
D	68,001 - 88,000	16,658	9/9	16,658	
E	88,001 - 120,000	17,129	11/9	20,935	
F	120,001 - 160,000	11,134	13/9	16,083	
G	160,001 - 320,000	12,370	15/9	20,616	
H	More than - 320,001	3,426	18/9	6,851	
				Adjustment	(1,359)
				Plus Ministry of Defence Properties	22
				<b>Council tax base</b>	<b>89,289</b>

#### **2022-23**

Band	Valuation band limits £	Calculated no of dwellings No	Ratio to band D	Equated No of dwellings	
				No	
A	Up to and including - 40,000	361	6/9	241	
B	40,001 - 52,000	1,306	7/9	1,015	
C	52,001 - 68,000	9,088	8/9	8,079	
D	68,001 - 88,000	16,531	9/9	16,531	
E	88,001 - 120,000	17,116	11/9	20,919	
F	120,001 - 160,000	11,048	13/9	15,959	
G	160,001 - 320,000	12,301	15/9	20,502	
H	More than - 320,001	3,380	18/9	6,761	
				Adjustment	(1,351)
				Plus Ministry of Defence Properties	47
				<b>Council tax base</b>	<b>88,703</b>

The rateable value on non-domestic properties at 31 March 2024 was £228.8m (218.4m at 31 March 2023).

The Business Rates multiplier for 2023/24 was 51.2p and the small business multiplier for 2023/24 was 49.9p (no change for both from 2022/23).

## Consolidated Group Accounts

This section of the Statement of Accounts details the Group financial statements for the Council. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Council controls.

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

### Orleans House Trust

This year the Council has again assessed Orleans House Trust as a Subsidiary as the Council is sole trustee. The trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection and has a formal management agreement with the Council which sets out roles and responsibilities of both parties to enable the trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honored.

### Achieving for Children (AfC)

AfC was established on 5 February 2014 and was operational from 1 April 2014. It is a Community Interest Company limited by Guarantee that is jointly owned by the Council (40%), RB Kingston (20%) and RB Windsor and Maidenhead (20%). All Councils have commissioned AfC to provide Children's and Educational Services across the boroughs. AfC has offered an opportunity to pool facilities, staff talents and to share assets. The main benefits are greater capacity in safeguarding and looking after the most vulnerable children as well as providing the highest quality services to support schools. The Council has assessed AfC as a Joint Venture. AfC's Accounts have been prepared in accordance with International Financial Reporting Standards

All three councils also provide a revolving credit facility (short term cash flow loan) to AfC at market rates, under the terms of the legal agreement signed by all three parties. This loan is shown in the Council's Accounts as a short-term debtor, with a fair value equal to carrying value due to the loan requiring repayment at no more than six monthly intervals. Richmond funded 39.3% of the loan in 2023/24.

The Accounting Policies of both Orleans House Trust and AfC are the same as the Council's and as the notes to the Group Accounts are not materially different from those of the Council, no additional notes have been disclosed.

## Group Comprehensive Income and Expenditure Statement

2022-23				2023-24		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
113,777	(48,257)	65,520	Adults, Health and Housing	128,212	(56,658)	71,554
217,670	(166,776)	50,894	Education and Children's Services	234,670	(176,316)	58,354
43,923	(24,273)	19,650	Environment, Sustainability, Culture & Sport	44,282	(21,796)	22,486
22,768	(21,335)	1,433	Transport and Air Quality	23,802	(23,962)	(160)
90,384	(58,211)	32,173	Finance, Policy and Resources	95,588	(59,319)	36,269
<b>488,522</b>	<b>(318,852)</b>	<b>169,670</b>	<b>Cost of Services</b>	<b>526,554</b>	<b>(338,051)</b>	<b>188,503</b>
13,162	0	13,162	Other Operating Expenditure	8,784	(935)	7,849
30,685	(30,927)	(242)	Financing and Investment Income and Expenditure	35,464	(49,799)	(14,335)
0	(198,690)	(198,690)	Taxation and Non-Specific Grant Income	0	(199,110)	(199,110)
<b>532,369</b>	<b>(548,469)</b>	<b>(16,100)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>570,802</b>	<b>(587,895)</b>	<b>(17,093)</b>
		4,696	Share of the Surplus / Deficit of Joint Ventures			(959)
		<b>(11,404)</b>				<b>(18,052)</b>
		(25,957)	Surplus or deficit on revaluation of Property, Plant and Equipment			21,540
		(236,144)	Remeasurement of the net defined benefit liability / asset			96,235
		(33,953)	Share of Other CIES of Joint Ventures			2,726
		<b>(296,054)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>120,501</b>
		<b>(307,458)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>102,449</b>

## Group Balance Sheet

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
1,000,098	Property, Plant and Equipment	989,436
4,535	Heritage Assets	4,507
15,071	Investment Property	16,705
0	Intangible Assets	25
21,072	Long-Term Debtors	20,303
<b>1,040,776</b>	<b>Long Term Assets</b>	<b>1,030,976</b>
82,086	Short-Term Investments	61,674
15	Inventories	33
71,713	Short-Term Debtors	88,223
54,014	Cash and Cash Equivalents	42,409
<b>207,828</b>	<b>Current Assets</b>	<b>192,339</b>
(6,916)	Short-Term Borrowing	(4,633)
(70,489)	Short-Term Creditors	(67,891)
(4,082)	Provisions	(3,259)
(3,706)	Grants Receipts in Advance - Revenue	(2,662)
(1,744)	Grants Receipts in Advance - Capital	(1,744)
<b>(86,937)</b>	<b>Current Liabilities</b>	<b>(80,189)</b>
(311)	Long-Term Creditors	(307)
(561)	Provisions	(84)
(114,041)	Long-Term Borrowing	(110,986)
57,222	Other Long-Term Liabilities	(28,574)
(4,502)	Donated Assets	(4,502)
(2,375)	Grants Receipts in Advance - Capital	(2,256)
(5,142)	Share of Joint Venture Liabilities	(6,909)
<b>(69,710)</b>	<b>Long Term Liabilities</b>	<b>(153,618)</b>
<b>1,091,957</b>	<b>Net Assets</b>	<b>989,508</b>
(176,853)	Usable Reserves	(179,450)
(920,246)	Unusable Reserves	(816,967)
5,142	Share of Joint Venture Reserves	6,909
<b>(1,091,957)</b>	<b>Total Reserves</b>	<b>(989,508)</b>



Fenella Merry, Executive Director of Finance 24 February 2025

## Group Movement in Reserves Statement

	Total Usable Reserves	Unusable Reserves	Authority's Share of Subsidiary & Joint Venture Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2023	<b>(176,671)</b>	<b>(910,229)</b>	<b>(5,057)</b>	<b>(1,091,957)</b>
Surplus or deficit on the provision of services	(17,093)	0	(959)	(18,052)
Other Comprehensive Income / Expenditure	0	117,337	3,164	120,501
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,093)</b>	<b>117,337</b>	<b>2,205</b>	<b>102,449</b>
Adjustments between accounting basis and funding basis under regulations	13,726	(13,726)	0	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,597)</b>	<b>102,841</b>	<b>2,205</b>	<b>102,449</b>
<b>Balance at 31 March 2024</b>	<b>(179,268)</b>	<b>(807,388)</b>	<b>(2,852)</b>	<b>(989,508)</b>

## Group Cash Flow Statement

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
(11,404)	Net (surplus) or deficit on the provision of services	(18,052)
24,969	Adjustment to surplus or deficit on the provision of services for noncash movements	15,312
23,921	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	20,113
<b>37,486</b>	<b>Net cash flows from operating activities</b>	<b>17,373</b>
(25,727)	Net cash flows from investing activities	(14,904)
(19,407)	Net cash flows from financing activities	9,136
<b>(7,648)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>11,605</b>
46,366	Cash and cash equivalents at the beginning of the reporting period	54,014
<b>54,014</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>42,409</b>



## Independent Auditor's Report to Members of London Borough of Richmond upon Thames

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF RICHMOND UPON THAMES**

#### **Disclaimer of Opinion**

We were engaged to audit the financial statements of London Borough of Richmond upon Thames ('the Council') and its subsidiaries (the 'Group') the year ended 31 March 2024. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 48 including material accounting policy information, and
- Collection Fund and the related note 1.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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

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

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for London Borough of Richmond upon Thames was not completed for the reasons set out in the disclaimer of opinion on those financial statements dated 4 December 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances and the closing reserves position.

- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet.
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.

Therefore, we are disclaiming our opinion on the financial statements.

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

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

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

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

As explained more fully in the Statement of Responsibilities set out on page 10, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the London Borough of Richmond upon Thames had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Richmond upon Thames put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 the London Borough of Richmond upon Thames had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

### **Delay in certification of the completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of London Borough of Richmond upon Thames. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

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 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of London Borough of Richmond upon Thames, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Lazarus (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
London  
25 February 2025

## Annual Governance Statement 2023/24

### SCOPE OF RESPONSIBILITY

Richmond 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. The 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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government (2016)*. A copy of the code can be located on the Council's website in the constitution.

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

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

This statement explains how the Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control. It also highlights how the Council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Finance Officer in Local Government.

### 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 Council operates under a committee system model of governance. This involves the Council making the majority of its decisions through one of its five Committees. These Committees cover each of the Council's main service areas. In addition to the Committees, the Full Council which consists of all 54 Councillors is responsible for setting and approving the budget and policy framework for the Council year to year.

There is also a range of other Council Committees and bodies which are responsible for making various decisions relating to Council functions and services. This includes the Policy and Performance Review Board which is a non-decision-making Board, responsible for reviewing policy and performance.

The CIPFA/ SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of seven principles, listed below, to support good governance and the

arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

- **Principle 1** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **Principle 2** Ensuring openness and comprehensive stakeholder engagement.
- **Principle 3** Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **Principle 4** Determining the interventions necessary to optimise the achievement of the intended outcomes.
- **Principle 5** Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- **Principle 6** Managing risks and performance through robust internal control and strong public financial management.
- **Principle 7** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Richmond 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.

Standard	Council Framework
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>The Council has in place the key officers namely the Chief Executive, Executive Director of Finance, the Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council’s Constitution to allow them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Executive Director of Finance are in line with CIPFA’s statement on ‘The Role of the Chief Financial Officer’. In addition, the organisation and deployment of their staff and report circulation protocols allow their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the South London Legal Partnership as required.</p> <p>All Council Officers are set annual objectives which are directly linked to the Council’s behaviours and values and key priorities. Progress against the objectives is monitored throughout the year and formally at an end of year appraisal review.</p> <p>The Council’s Anti-Money Laundering and Anti-Bribery policies; linked to the Whistle Blowing Policy, were reviewed in October 2021 to ensure that they remain effective in terms of possible fraud or financial irregularities. The Council has established a process whereby the Monitoring Officer, Head of Audit and Fraud and the Head of Human Resources meet on a bimonthly basis to review whistleblowing cases to ensure they receive an appropriate response.</p>

Standard	Council Framework
	<p>Annual reports for adults' social care, children's social care, and corporate complaints were presented to the relevant committees. The Council's complaints system is effective; with the number of complaints and reasons for them monitored by Executive Directors and reported to relevant Committees via Departmental Annual Reports.</p>
<p>Ensuring openness and comprehensive stakeholder engagement.</p>	<p>A Corporate Plan was published and runs from September 2022 to March 2026. It is refreshed annually and highlights the progress made, performance data, as well as take account of any new or emerging priorities.</p> <p>The new Corporate Plan was used to inform the annual budget-setting scrutiny process. It is published on the Council's website following endorsement by full Council and is available using the following link: - <a href="#">The Corporate Plan</a></p> <p>The Corporate Plan is set around the Council's three areas of priority:</p> <ul style="list-style-type: none"> <li>• Making Richmond green</li> <li>• Making Richmond safe</li> <li>• Making Richmond fair</li> </ul> <p>The plan provides a clear outline for Members, staff, stakeholders and residents of the Council's priorities and commitments to achieve these aims. The corporate priorities are identified through discussions between officers and elected Members, using latest residents' feedback, service performance data, an understanding of the Council's financial position and national and local policy and priority considerations.</p> <p>Included is an overview of key projects, programmes, and major work the Council will be delivering over the four-year period and a statement of the high-level measures used to monitor delivery against the priorities. The Corporate Plan also sits alongside other strategic, partnership plans such as the Children and Young People's Plan which is currently under review.</p> <p>In terms of communication with stakeholders and accountability, the Council complies with statutory obligations and good practice and publishes a Forward Plan of Key Decisions to be taken by the Council's Committees, published quarterly reports of performance of delivery against corporate priorities and also publishes the Medium-Term Financial Strategy (MTFS) which details both revenue and capital budgets.</p> <p>The online consultation portal has been used extensively during the year and where appropriate, other methods are frequently used alongside online consultation, such as face-to-face, telephone and paper forms, 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.</p> <p>Residents have the opportunity to raise any individual issues with Councillors at Councillor ward surgeries that are held across the borough in libraries or other community buildings. There are active arrangements for petitions to be</p>

Standard	Council Framework
	<p>placed before the Council and an e-Petition function is available via the website. Members of the public may also make representations to Committees and attend meetings, as detailed on the website.</p>
<p>Defining outcomes in terms of sustainable economic, social, and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>The Council has a performance management framework which translates priorities and objectives from the Corporate Plan into performance targets for members of staff. Officer monitoring is rigorous with regular reviews of performance at both Departmental and Directors' Board level. Throughout the year performance is reported to the relevant Service Committee and to the Policy and Performance Review Board. Key Projects and corporate plan actions progress is reported regularly to the Directors' Board and a summary included in the reports to Members to ensure that delivery is on track and in line with the Council's priorities.</p> <p>The Council has a streamlined set of directional and benchmarkable Corporate Plan KPIs aligned with the administration's priority commitments and objectives. This approach enables a focused and in depth scrutiny of key areas of service performance at Committees. There is also a set of Business Critical KPIs purely for reporting to Directors' Board and Lead Members. This set provides them with a line of sight on performance which does not directly relate to the Council's priorities, but which nonetheless has an important impact of maintaining high levels of performance and resident satisfaction. They include timeliness, quality and responsiveness metrics which provide an early warning system about emerging issues and an opportunity to monitor actions implemented in response to performance issues. Reporting these two sets of KPIs to Directors' Board and Lead Members is quarterly with the streamlined Corporate Plan KPIs to Committees bi-annually at the important mid-year (Quarter 2) and end-year (Quarter 4) stages.</p> <p>In 2019 the Council declared a Climate Emergency, setting a target to be a carbon neutral organisation by 2030. In February 2023, the Council adopted a new net zero borough target of 2043 and during 2023, the Council delivered on key actions in the Climate Action Plan and expanded its engagement and partnership working on climate change. The Council recognises that this is not something it can deliver on its own and everyone in the borough and all organisations will need to change their approach if the target is to be achieved.</p> <p>Social value is embedded into the Council procurement process and officers consider social value before the commencement of any procurement in order to determine the best procurement approach and to inform the design of the services required. Measurement and outcomes of contracts can include environmental metrics and KPIs.</p> <p>At the end of 2022/23, service planning at a team level was introduced to strengthen the achievement of service areas objectives and ensure they are aligned to the Council's corporate objectives.</p>
<p>Developing the entity's capacity,</p>	<p>Council, Service Committee, 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 Members and</p>



Standard	Council Framework
<p>including the capability of its leadership and the individuals within it.</p>	<p>officers. It also includes regulatory procedures e.g., Contract Standing Orders, and Financial Regulations. It is regularly reviewed and updated to reflect relevant changes to the allocation of powers, revised departmental structures and operating procedures.</p> <p>The Council recognises that good governance is underpinned by the standards and values of its Members and Officers. The standards and behavior that are expected are clearly defined. The Council has agreed a standards framework for Members, which incorporates a local Code of Conduct, and a complaints procedure setting out how complaints against members should be dealt with and the role of the Council's Audit, Standards and Statutory Accounts committee in adjudicating on such complaints. This ensures that the current high level of standards is maintained.</p> <p>There are Members' and Officers' Codes of Conduct, and a Members' Planning Protocol all of which are kept under regular review and are supplemented by guidance. The Council adopted the Model Code of Conduct produced by the Local Government Association in October 2021. With the move towards being a commissioning council and increased involvement of third parties, also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflicts of interests. The Code of Conduct for Officers, updated in April 2022, sets out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality. The Members' and Officers' Codes of Conduct are included in the Council's Constitution.</p> <p>In February 2022 a report to the Finance, Policy and Resources Committee, outlined CIPFA's new Financial Management Code based on six principles – leadership, accountability, transparency, standards, assurance, and sustainability. That report concluded that the Council met all 17 standards, and this has been similarly confirmed for the current financial year.</p> <p>The Council has adequate procedures for investigating incidents where standards have not been met and implementing action plans to address any deficiencies.</p> <p>The development needs for Members are addressed both in terms of induction training and focussed continuous training. Officers have a formal appraisal process where training needs are adequately identified and catered for. The Council offers a full range of management and leadership training, for staff wishing to prepare themselves for future management roles through to senior leaders. There is a New and Aspiring Managers' Programme for those who wish to further develop their skills and knowledge to progress their careers and a Pan London Emerging Leaders Programme for managers, leading to an Institute of Leadership and Management qualification.</p>
<p>Managing risks and performance through robust</p>	<p>The Council's Constitution contains the specified items and is regularly reviewed and updated as necessary. The local decision-making process and scrutiny role are adequately documented and operated effectively including</p>

Standard	Council Framework
<p>internal control and strong public financial management.</p>	<p>ensuring that there is input into reports from all corporate professionals including both legal and financial advice.</p> <p>The Council's Risk Management Strategy is effective and well embedded into corporate management processes. A combination of Strategic Risk Specialists and Heads of Service reviews maximises the opportunity to identify key risks that might prevent 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 Strategic 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.</p> <p>A Change Programme has been in development since December 2022, with the three overarching objectives of the programme being to; Enable delivery of the political priorities for the Council; Successfully navigate the financial challenges facing the Council; and ensuring that we attract and retain the workforce needed to deliver excellent services to residents.</p> <p>The Council participated in a Local Government Association Corporate Peer Challenge (CPC) in February 2023. The review functions as an improvement tool to help councils identify their strengths, areas of focus and improvement. The challenge covers five core themes; Local priorities and outcomes, Organisational and place leadership, Governance and culture, Financial planning and management and Capacity for improvement. The CPC report was published later in 2023 setting out peer findings and commitments to improvement.</p>
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p>	<p>The Council has operated as a Shared Staffing Arrangement with Wandsworth Council since 1<sup>st</sup> October 2016 and in doing so developed an Inter Authority Agreement between the two authorities; also, the Council has updated its Constitution to ensure that the governance arrangements are effective. This arrangement has enabled both organisations to realise savings whilst preserving front line services and to pool experience and skills from across two organisations which has contributed to the development of both.</p> <p>The Council's main partnerships include Achieving for Children (AfC), Audit &amp; Fraud, Legal, Pensions, Regulatory Services and the Health and Wellbeing Board, each of which are operated through partnership agreements and approved by the relevant Committee.</p> <p>The Audit, Standards and Statutory Accounts Committee operates in accordance with the CIPFA guidance entitled '<i>Audit Committees – Practical Guidance for Local Authorities</i>'. The Committee normally meet four times a year and provides an independent assurance on the Council's governance arrangements. During the year a second independent member was recruited to enhance effectiveness and comply with Cipfa guidance. The Internal Audit service was externally assessed against the Public Sector Internal Audit Standards (PSIAS) with a positive outcome and an external review of the</p>

Standard	Council Framework
	<p>Audit, Standards and Statutory Accounts Committee's (considering Audit elements only) effectiveness was commissioned.</p> <p>The Council's Climate Change Steering group, consisting of senior Council officers at Director level and Heads of Service, is responsible for overseeing the direction and driving the performance of Climate Change and sustainability. The group acts a programme management board for the delivery of identified key areas of the action and takes the lead role in facilitating and enabling delivery, clearing roadblocks to development and delivery of projects and approaches.</p> <p>The Council is committed to achieving value for money for its residents. All Budget managers are responsible for the costs charged to their service area and must at all times strive to deliver value for money. The Council's Procurement Regulations set out rules and processes that Officers must follow to help ensure that procurement activity secures value for money and offer best value for services to the public.</p>

## REVIEW OF EFFECTIVENESS

Richmond 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.

**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 other committees. It includes a definition of the roles and responsibilities of Councillors and the statutory Scheme of Delegations to Officers.

**Full Council.** The full Council is responsible for setting and approving the budget and policy framework within which the Committees must operate. It is the ultimate policy making body for Richmond upon Thames.

The Council is also responsible for electing the Leader and Deputy Leader and appointing members of the Committees, the Policy Performance and Review Board and members of other committees and bodies.

**The Audit, Standards and Statutory Accounts Committee.** The Audit, Standards and Statutory Accounts Committee has considered a number of reports to ensure that the Council's arrangements including internal control are effective, operate robustly and that there are timely and effective action plans in place to address significant control issues identified. It conducted its annual review of the Council's Risk Management Strategy in April 2024 and will comment on its adequacy at the next meeting in July 2024. It also considered reports from External Audit during the year. This Committee is also responsible for keeping the Members' Code of Conduct under review and dealing with complaints about the conduct of elected and co-opted Members.

After the financial year ends on 31 March, normally the Council's draft (unaudited) accounts are due to be completed and published by the end of May in line with accounting regulations. In 2019/20 to 2021/22 the accounts deadlines were revised under the Accounts and Audit (Amendment) Regulations to completion of draft accounts by 31 July and for the external audit to be completed by 30 November. These three years of accounts are all signed off by the Council's auditors Ernst & Young (EY). For 2022/23 accounts onwards, the regulations reverted completion to 31 May and for the external audit to be completed by 30 September. The Council's draft 2022/23 accounts were published in advance of the planned audit commencement date; however an audit of this year has not commenced in full except for a Value for Money assessment. The significant delays in the external audit of local authority accounts continues to be a well-known national issue. An announcement was due from Government in autumn 2023 on their plan to reduce the national external audit backlog. Two consultations were subsequently issued from the Department of Levelling Up, Housing and Communities (DLUHC) and the National Audit Office (NAO) and both provided suggestions to address the backlog and issue a proposed 'back stop' date for all open prior year audits to be completed by 30th September 2024. EY have not commenced any 2022/23 external audits nationally, because as a firm they have decided that due to time and resource constraints it will not be possible to complete any 2022/23 audits before the backstop date. The Council has published its 2023/24 draft accounts and the external audit is due to commence on 1 July 2024. EY have outlined a summarised plan for completion of the 2023/24 audit by November 2023.

**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 service areas in order to enable the Audit, Standards and Statutory Accounts 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 action, with key items been reported to the Audit Standards and Statutory Accounts Committee.

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

**The Council's Monitoring Officer.** Following the retirement of the previous monitoring officer, Council appointed Abdus Choudhury to the role of its Monitoring Officer to take effect from 29 July 2023. This role assists the Council to ensure that proposals, decisions or omissions of the Council do not give rise to any contraventions of any rule of law, or enactment, or give rise to maladministration. This role also assists members to maintain adherence to their obligations under the Code of Conduct for Members.

## CONCLUSION

The review of effectiveness on the Council's governance arrangements found that for the majority of services the control environment was satisfactory. It is not possible to eliminate all risks of failure and there were some areas where the Council's high expectations were not met and/or progress has been slower than originally expected. The control framework is an ongoing process and therefore where issues were identified action plans were agreed with the relevant Executive 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, Standards and Statutory Accounts Committee (the report providing the detailed assurance can be found using this link:

<https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CId=805&MId=500000321&Ver=4>) and action plans to address weaknesses and ensure continuous improvement of the system in place.

## **Significant governance issues**

### **(a) Facilities Management**

In 2019/20 a No Assurance audit report was issued, and Facilities Management (FM) were given time to implement and embed new systems and procedures to improve the control environment. Implementation of recommendations and follow up by the Audit team was delayed due to the complexity of the actions required and other issues within the FM team. A follow up audit was completed during 2023 which found that significant progress had been made, the report included two priority 1 recommendations relating to statutory compliance checks and a backlog of fire risk assessment actions (FRA). The FM team was subject to staff churn during the year and changes were made at a senior level however, the audit and recommendations were engaged with and progress in completing the recommendations was made.

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

The impact of a significant cyber security attack upon service delivery are so severe that it is one of the highest risk threats to any organisation. The challenges to delivering effective information and data security management require constant review especially with increased automation and the increased use of data to assist with service delivery. In addition to service disruption, failure to ensure that effective and up to date data control arrangements exist and mandatory training on handling data are sufficient could place the Council at risk of significant financial penalties and reputational damage, should personal data be inappropriately disclosed or misused, whether deliberately or accidentally. Recent security incidents have highlighted the need to ensure that oversight encompasses all data, including that processed by third parties. With the constant development in IT systems and capability, the risk of an information security incident is constantly changing so we must constantly ensure that our response keeps pace.

The Council has recently reviewed its approach to IT provision and data security, creating the new Change and Innovation Department to provide enhanced specialised skill sets for the oversight of data management and protection.

Systems and data handling control processes are regularly reviewed, both internally and by an external assessor, to ensure that they are compliant with UK General Data Protection Regulations (GDPR), and Data Protection Act (DPA) requirements and the SSA continues to retain the ISO27001 Certification across both Richmond and Wandsworth Councils. The Councils' cyber security arrangements are constantly evolving to combat these risks. Alongside an experienced in-house team with specific responsibilities for cyber security there are contracts in place for prevention support and incident management with external specialists who review systems integrity and conduct ethical hacks to assess the robustness of controls in place. The mandatory

cyber and information security awareness training for all officers continues to provide an effective first line defence for reminding every officer of their responsibility to data protection. Robust arrangements have been established to ensure that security incidents are effectively and promptly addressed, seeking advice from the ICO and legal when necessary.

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

At the start of the financial year, we had a very stable Chief Officer cohort including a significant number of relatively new appointments. The organisation remains, in line with almost all other London Boroughs, overly reliant on an aging workforce, and working with significant recruitment and retention challenges due to the current labour market as well as continuing chronic skill shortages in some key areas (most notably experienced social workers).

A substantial programme of change continues to address these issues with regular reports to Directors' Board and Committee. A comprehensive annual staff satisfaction survey was completed in late 2023, this is helping to inform the organisation on interventions as part of the change programme work.

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

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

The Director of Financial Services Finance) submitted a paper to Directors' Board in March 2023, which set out a Contract and Supplier Management Framework and Policy for the SSA which was agreed in principle by Directors' Board. Throughout 2023/24 this has been further developed where contracts will fall into one of four categories (Bronze, Silver, Gold and Platinum) with a risk-based approach to how they are managed. Workshops have been conducted with relevant stakeholders to assist in assigning the appropriate category and outline the required oversight. A new contract management system has been acquired to help support officers in their role which should assist in capturing the required KPIs and assist in their reporting requirements. This is scheduled to be rolled out during 2024/25.

### **(e) Dedicated Schools Grant (DSG)**

The Council signed a Safety Valve Funding Agreement with the Department for Education in March 2021. The agreement provides that Richmond can claim up to an additional £20 million over five years if it successfully implements the local SEND Futures Plan. This plan aims to both improve high needs education services and improve efficiency to make grant funding stretch further. The agreement outlines nine conditions which align to activity outlined in the SEND Futures Plan. The Council reports progress to the DfE and sufficient progress releases a further instalment of the additional funding. Richmond is making good progress and has already received £19million, which is the maximum claimable at this point in the Plan. We are now in the final year of the Plan and further payments are subject to the Council continuing to make good progress, with the Council also required to make some contributions from its own resources. The SEND Futures Plan works to mitigate potential overspends over the five-year period through both cost avoidance and through the control of average costs. The ring fenced DSG fund is now in a surplus position for the first time since 2014 which evidences the significant progress made. Concerns about the medium term financial viability of the fund still remain. There remains a historic annual shortfall of circa £2million per year and once safety valve funding and general fund contributions cease this will start to materialise as year on year deficits again. In addition, the grant settlements for high needs education are expected to be about 3% per year. This means that the funding gap is likely to widen over time given where school place inflation is; and that the number of children

requiring support continues to increase year on year. The impact of the newly launched SEND Futures Plan will partially mitigate some of this risk but will not be able to negate the pressure completely over time. A meeting with the DfE to discuss the position has been requested.

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

The Council has a number of regeneration schemes ongoing, including Ellary Hall and the Twickenham Riverside Development. The risks associated with large developments are significant and proper governance arrangements and risk management arrangements must be in place. A Project Board should be set up to ensure that key milestones are delivered and / or explanations are given when performance is below expectation.

The newly established Corporate Project Office (CPO) enhances existing project management arrangements by developing good practice guidance and templates as part of a new corporate approach to project and programme management. The new approach will assure that all projects of medium or large size (using the new project sizing tool) must have identified key risks ahead of being awarded capital funding for delivery. The CPO will also be introducing a central organisational learning library of previously delivered projects, to help embed lessons learned on similar projects. This measure is intended to supplement the individual Project and Programme Boards by bringing an organisational consideration of the impact of the operational review of risk for significant projects. Whilst these changes are embedded across all service delivery areas to support improved organisational oversight of project risks a new risk specialism for Project Management is being introduced for 2024/25.

#### **(g) Cost of Living**

In September 2022 the Council approved the creation of a £3m Emergency Funding Reserve, funded from the Council's own reserves, to underpin further work to support residents and businesses through the cost of living crisis.

The Council has continued to use this funding, both directly and through its partners, to respond to both crisis support, and to build in longer term resilience for residents and partners to help them withstand future pressures. The Council continued throughout 2023 to provide support through a number of key initiatives including: community spaces and food, data analytics, financial resilience, cost of living hub, warm homes, community resilience, food, wellbeing and inclusion, and communications.

The Council's officer-led Cost of Living Programme Board continued to review proposals for funding from the reserve under officer delegated authority, with decisions ratified by Service Chairs and reported to the Finance, Policy and Resources Committee for information.

The fourth tranche of Household Support Fund grant totaling £1,672,714 was allocated to the Council, to be spent between April 2023 and March 2024. This has been used to support holiday food for young people and families eligible for free school meals; to further reduce Council tax bills for people entitled to Council Tax support, additional support for looked after children and children in need; and discretionary crisis support grants.

The focus for the Cost of Living Programme moving into 2024 is on continuing to deliver longer-term strategic interventions such as the Money Hubs and use of the LIFT (Low-Income Family Tracker) platform and to continue to adapt the programme to match the needs of residents. Increasingly the focus of the programme will be on building capacity and resilience amongst individuals and communities, whilst also recognising that immediate support will still be required. Inflation has slowed and there is an improving forecast, and in some cases demand for support

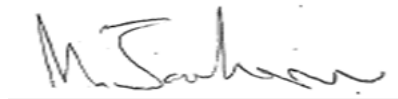
has increased more slowly, but it remains well above pre-pandemic levels and shows no signs of diminishing.

In recognition of this, the Council has added an additional £1.5m to the Emergency Funding reserve from its own reserves, bringing the total committed to £4.5m, and will also utilise the additional Household Support Fund grant of £836,357 announced by Government in the Spring Budget to be spent by the end of September 2024.

Signed:



Cllr Gareth Roberts  
Leader of the Council



Mike Jackson  
Chief Executive



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

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

An independent examination of the authority's financial affairs.

## **BALANCE SHEET**

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

## **BORROWING**

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

## **BUDGET**

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL FINANCING**

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

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPT**

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

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy

## **COLLECTION FUND**

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

## **COMMUNITY ASSETS**

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

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **CONSISTENCY**

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

## **CONTINGENT ASSET**

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

## **CONTINGENT LIABILITY**

A contingent liability is either:

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

## **CREDITOR**

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

## **CURRENT SERVICE COST (PENSIONS)**

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

## **DEBTOR**

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

## **DEFINED BENEFIT PENSION SCHEME**

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

## **DEPRECIATION**

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

## **DISCRETIONARY BENEFITS (PENSIONS)**

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

## **EQUITY**

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

## **EVENTS AFTER THE BALANCE SHEET DATE**

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

## **EXPECTED RETURN ON PENSION ASSETS**

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

## **FAIR VALUE**

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

## **FINANCE LEASE**

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

## **GOING CONCERN**

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

## **GOVERNMENT GRANTS**

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

## **HOUSING BENEFIT**

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

## **IMPAIRMENT**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **INTEREST COST (PENSIONS)**

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

## **INVENTORY**

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

## **INVESTMENTS (PENSION FUND)**

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

## **LIABILITY**

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

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

## **LIQUID RESOURCES**

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

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

## **LONG-TERM CONTRACT**

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

## **MATERIALITY**

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

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

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

## **NET BOOK VALUE**

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

## **NON-DISTRIBUTED COSTS**

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

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

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

## **NON-OPERATIONAL ASSETS**

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

## **OPERATING LEASE**

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

## **OPERATIONAL ASSETS**

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

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

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

## **PENSION SCHEME LIABILITIES**

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

## **PRECEPT**

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

## **PRIOR YEAR ADJUSTMENT**

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

## **PROVISION**

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

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

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

## **RATEABLE VALUE**

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

## **RELATED PARTIES**

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

## **RELATED PARTY TRANSACTIONS**

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

## **REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses (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.

## **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.