

# Wandsworth Council

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statement of accounts 2014 – 2015



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## **EXPLANATORY FOREWORD TO THE ACCOUNTS**

### **Introduction**

The Council's Accounts for the year ended 31st March 2015 are set out in the statements which follow this foreword. The purpose of the Statement of Accounts is to summarise the financial position of the Council. The foreword gives a general outline of the main items reported within the accounts and gives a summary of the Council's overall financial performance for the year.

The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities in England, supported by International Financial Reporting Standards (IFRS). This means that the accounts are prepared on the same basis as the rest of the local authorities and central government in the United Kingdom.

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

- **Movement in Reserves Statement (MiRS)** - this is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It is analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. It shows how the Comprehensive Income and Expenditure surplus of £365 million (surplus of £163 million in 2013/14) is adjusted according to statute, leaving a surplus on Usable Reserves of £82 million (surplus of £60 million in 2013/14).
- **Comprehensive Income and Expenditure Statement (CIES)** - this consolidates all the gains and losses experienced by the Council during the financial year. As the Council does not have any shareholders (equity), the net gain or loss reconciles to the overall movement in net worth. It therefore shows, on an accounting basis, the make up of the increase of £365 million (increase of £163 million in 2013/14) in the Council's net worth during 2014/15.
- **Balance Sheet** - this summarises the Council's financial position at 31st March in each year. The top half shows the assets and liabilities of the Council, its net worth. The bottom half explains how this net worth is split between usable and unusable reserves. The Council's net worth was £1,679 million at 31st March 2015 (£1,314 million at 31st March 2014).
- **Cash Flow Statement** - this summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year. The flows are separated into operating, investing and financing activities. The Council's cash and cash equivalents decreased by £2.6 million in 2014/15 (decreased by £30.5 million in 2013/14).
- **Notes to the Accounts** - the notes provide further details to ensure a true and fair view is presented of the Council's financial position. They present information about the basis of preparation of the financial statements and the specific accounting policies used. They present information required by the Code that is not presented elsewhere in the financial statements and provide information that is relevant to the understanding of the financial statements. Changes in the Code have required the inclusion in the accounts of certain schools' non-current assets for the first time. This has necessitated restating of previous years figures in various statements and supporting notes.

- **Collection Fund** - this reflects the Council's statutory duty as a billing authority to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.
- **Housing Revenue Account (HRA)** - this is a record of revenue expenditure and income relating to the Council's housing stock. The HRA ensures that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. A ring-fence is maintained on the HRA to ensure that rents cannot be subsidised from council tax or council tax subsidised from rents.
- **Pension Fund** – this includes information on investments, and income and expenditure relating to the Wandsworth Pension Fund, which is administered by the Council. At 31st March 2015 the Pension Fund had net assets of £1,207 million (£1,057 million at 31st March 2014).

## The Financial Year 2014/15

This section summarises the financial performance for the year.

### Revenue Budgets

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

	<b>Actual</b>	<b>Revised</b>	<b>Variation</b>
	<b><u>2014/15</u></b>	<b><u>2014/15</u></b>	<b><u>2014/15</u></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Committee</b>			
Adult Care and Health	77,008	82,343	(5,335)
Education and Children's Services	65,123	66,172	(1,049)
Community Services	44,463	47,257	(2,794)
Finance and Corporate Resources	(13,853)	1,794	(15,647)
Housing	5,943	6,140	(197)
<b>Total – Committee Budgets</b>	<b>178,684</b>	<b>203,706</b>	<b>(25,022)</b>
Non-service specific Government grants and other adjustments	(13,497)	(10,423)	(3,074)
Contributions to/(from) reserves	33,233	8,274	24,959
<b>Net Expenditure</b>	<b>198,420</b>	<b>201,557</b>	<b>(3,137)</b>
<b>Funded by:</b>			
Formula Grant	78,451	78,451	-
Retained Business Rates	30,554	30,554	-
Business Rates Top-up	35,053	35,053	-
Collection Fund surplus	1,379	1,379	-
Council Tax Requirement	45,444	45,444	-
<b>Total</b>	<b>190,881</b>	<b>190,881</b>	<b>-</b>
<b>(Surplus)/Deficit for Year</b>	<b>7,539</b>	<b>10,676</b>	<b>(3,137)</b>
General Fund Balance at 31 March 2014	34,485	34,485	-
<b>General Fund Balance at 31 March 2015</b>	<b>26,946</b>	<b>23,809</b>	<b>3,137</b>

The Council's net revenue expenditure was £25.0 million less than the revised budget, reflecting underspends across most Council services. Further information on the Council's financial performance is reported to the Finance and Corporate Resources Overview and Scrutiny Committee in June/July of each year and the committee report can be viewed on the Council's website at <http://ww3.wandsworth.gov.uk/moderngov/ieDocHome.aspx>.

Just over £10m of the underspend relates to the recalculation of bad debt provisions. In addition the underspend is a result of slippage of schemes funded from the Renewals Fund for specific projects as well as outstanding commitments on Wandsworth Big Society which will be vired to 2015/16 (£1.5 million); lower activity for care homes and home care within Older People and Physical Disability services (£4.2 million); additional health funding for Learning Disability placements (£2.3 million); increased income within the planning service (£0.7 million); underspends within core Public Health services (£1.6 million); reduced costs within the Prevention and Intervention division within Education and Children's services (£1.2 million); lower than anticipated demand for the Social Fund (£0.8 million); and general back office efficiencies (£1.3 million).

Unspent resources generated from the overall underspend have been set aside to be utilised in relation to new projects or slippage on existing projects (£1.9 million). The balance of the underspend, is £23.1 million and has been transferred to the newly created Financial Resilience Reserve.

### Schools Budget

The schools budget was underspent by a net total of £6.1 million. This underspend will be carried forward to 2015/16 to be added to the Dedicated School Grant.

### Council Housing

The Statement of Accounts includes the ring-fenced Housing Revenue Account for the provision of council housing. The HRA made a net surplus of £31.531 million. This was added to the HRA Revenue Reserve and the Major Repairs Reserve, increasing the balance to £266 million. The balance on the HRA Reserves is retained against the risk of future shortfalls on the ring-fenced account and to fund future expenditure on major repairs.

### Capital Expenditure

Capital expenditure for the year, excluding expenditure on Council Housing was £87.075 million. The programme included significant expenditure on schools, including major work at the Borough's Secondary Schools and at a number of primary schools.

The outturn against planned budget was as follows:

	<b>Actual</b> <b>2014/15</b> <b>£'000</b>	<b>Budget</b> <b>2014/15</b> <b>£'000</b>	<b>Variation</b> <b>2014/15</b> <b>£'000</b>
<b>Committee</b>			
Adult Care and Health	333	529	(196)
Community Services	37,480	37,963	(483)
Education and Children's Services	41,721	40,123	1,598
Finance and Corporate Resources	6,595	8,708	(2,113)
Housing and Regeneration	946	2,195	(1,249)
<b>Total – Committee Budgets</b>	<b>87,075</b>	<b>89,518</b>	<b>(2,443)</b>

Capital receipts of £52.2 million were received during the year, in addition to capital grants and reimbursements of £63.8 million. Some capital receipts are ring-fenced for affordable housing and some are reserved or paid to Government, but at the end of the year the Council held £66.6million (£66.5 million 2013/14) of usable capital receipts.

### **Treasury Management**

During the course of 2014/15 the combination of low interest rates and reducing credit ratings made the management of the Council's investments even more challenging. Action was taken to mitigate the effects of falling interest rates, whilst continuing to safeguard investments. Investments began the year at £397 million and ended the year at £474 million. The average interest rate performance was 0.81% (0.53% 2013/14), exceeding the 7 day LIBID benchmark. External debt reduced from £195 million to £177 million reflecting the repayment of part of the PWLB long-term borrowing, which was taken up in March 2012 for the HRA subsidy buy-out.

### **Collection Fund**

The Collection Fund net deficit at the year-end was £0.04 million: a £4.57 million surplus in relation to council tax and a £4.61 million deficit in relation to business rates. This will be taken into account when setting the level of council tax in future years.

### **PENSIONS**

The Council is legally obliged to offer guaranteed and inflation-proofed pension benefits to its employees other than teachers who are covered by a similar Government scheme. The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits, with Council contributions fixed accordingly. The Fund's net assets increased by £150.1 million (14.2%) to £1,207.1 million, reflecting the net return on both investment income and the change in market value of investments (£165.1 million), after net costs of £15.1million from dealings with fund members. The Fund's investments returned an average +13.3% a year over the last three years, better than the median return of +11.0%.

For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £352.2 million (28.5%) at 31st March 2015. This is £87.0 million more than the net liabilities of £265.2 million twelve months earlier. As an authority providing statutory services backed by taxation, the Council can be more relaxed than private firms about including such volatile valuations in its balance sheet. The impact on council tax, however, is dependent on the actuarial valuation of the pension fund carried out every three years. The aim is to achieve 100% funding over 20 years and to provide stability in employer contribution rates by spreading increases over a period of time. At the latest valuation, carried out in March 2013, the fund was assessed as being 95% funded, corresponding to a shortfall of £55 million. The Council's contribution was maintained at 19% of pay from 1st April 2014. The next triennial valuation at March 2016 will take effect from 2017/18. The Council previously set aside £41.4 million to offset the effects of the potential for increased employer contributions which could be required in the event of the fund under-performing.

## **CONCLUSION**

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

The main challenge in 2015/16 will be to continue delivering improvements in service delivery, with increasingly scarce resources. Based on current approved budgets and the predicted grant settlements for 2016/17 as set out in the medium term financial strategy, the Council will need to further reduce expenditure by £32.3 million to avoid triggering a referendum on setting council tax in 2016/17. Further details are in the medium term financial strategy, which was reviewed by the Finance and Corporate Resources Overview and Scrutiny Committee and approved by the Executive in June 2015. The papers for those meetings held in June 2015 can be viewed on the Council's website at <http://ww3.wandsworth.gov.uk/moderngov/ieDocHome.aspx>.

## **STATEMENT OF RESPONSIBILITIES**

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

The Council is required to:

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

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

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

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

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

The chief financial officer has also:

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

### **CERTIFICATE**

I certify that the statement of accounts gives a true and fair view of the financial position of Wandsworth Council at the end of the period to which it relates and its income and expenditure for that period, including any material events occurring after the balance sheet date, until the date of this certificate.



#### **C Buss**

Director of Finance and Deputy Chief Executive  
24th September 2015



#### **Cllr M Heaster**

Chairman of the Audit Committee  
24th September 2015

## **ANNUAL GOVERNANCE STATEMENT 2014/15**

### **SCOPE OF RESPONSIBILITY**

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

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

Wandsworth Council has approved the revision of its code of corporate governance, to bring it in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

A copy of the code is available on the Council's website using the following link [www.wandsworth.gov.uk/corporategovernance](http://www.wandsworth.gov.uk/corporategovernance) or can be obtained from the Head of Audit. This statement explains how Wandsworth Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

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

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

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

The governance framework has been in place at Wandsworth Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

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

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

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

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

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

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

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

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

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

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.** Executive, non-executive, scrutiny and officer functions are defined in the Council's Constitution. It includes details of how decisions are made, including a scheme which sets out how powers have been delegated to officers. This scheme is regularly reviewed and updated to reflect relevant changes to the allocation of powers, revised departmental structures and operating procedures. The recent pace of change in the structure of the Council as an organisation and the review of the Council's democratic processes, with further reviews required over the next couple of years when implementing the Shared Staffing Arrangement with Richmond Council.

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

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

The Council has adopted a Code of Conduct for its Officers which is robust and regularly updated (updated in May 2013) setting out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality.

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

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

**Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.** The Audit Committee operates in accordance with the CIPFA guidance entitled 'Audit Committees – Practical Guidance for Local Authorities'. The Committee normally meet three times a year and provide an independent assurance on the Council's governance arrangements.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.** The Council has in place the key officers namely the Chief Executive, Director of Finance, the Borough Solicitor and Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to allow them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Director of 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 Borough Solicitor as required.

**Whistle-blowing and for receiving and investigating complaints from the public.** The Council's Whistleblowing Policy and Procedure was revised by the General Purposes Committee in March 2007 (Paper No. 07-326) and is currently being reviewed by the Head of Human Resources to ensure that it remains effective in terms of reports of possible fraud or financial regularities. The Council's Three Stage complaints system is effective with numbers of complaints and reasons for complaints monitored by Directors and reported to individual Overview and Scrutiny Committees, together with an Annual Report to the Finance and Corporate Resources Overview and Scrutiny Committee.

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

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.** The Council has in place a robust participation strategy that clearly sets out what it will consult on with stakeholders, with information provided on the Council's internet site which also provides regular feedback on meetings and publishes regular magazines and an annual report. The Council's internet pages and its magazine are available in a number of formats and help is available for stakeholders whose first language is not English. The Council has a commitment to holding open meetings and Committee Reports, Agendas and Minutes are published on the internet.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.** The Council has a governance template which is to be used by Category 'A' partnerships, those that deal with public funds over £10,000 per annum. This is further enhanced with Section 75 agreements, when working with Health Partners.

## REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

It ensures that standards and performance levels are maintained through its review of AQPRs thus ensuring that the quality of Council services remains high and that there are effective measures in place to take remedial action where appropriate.

**The Audit Committee.** The Audit Committee has considered a number of reports to ensure that the Council's governance arrangements including internal control are effective and operated robustly and that there are timely and effective action plans in place to address them. In particular, it has carried out its annual review of the Council's Risk Management Strategy and found it to be fit for purpose and operated robustly. It has approved the Council's Accounts for 2013/14 together with a report from the External Auditor. It has also considered the Audit Commission's Annual Audit and Inspection letter for 2013/14.

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

**The Standards Committee.** The standard of conduct by Members at Wandsworth remains very high with only a small number of complaints in the last decade with only 1 being received in 2014/15 which was not upheld; and it is anticipated that complaints will remain at a low level. The Council has a local Code for Members and retains a standalone Standards Committee albeit that it will meet on a less frequent basis.

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

**The Director of Finance.** By law, under Section 151 of the Local Government Act 1972, and as set out in the Council's Constitution, the Director of Finance has a number of control responsibilities. This role, which is supported by Members and Directors, and that of officers within the Finance Department, is to ensure that the Council has sound controls for the administration of its financial affairs. The Council has undertaken significant service reviews and faced reductions in resource allocation during 2014/15 with more changes planned over the next few years. This is likely to result in changes to existing procedures; however I am confident that the appropriate frameworks for its functions, providing control for expenditure and income, incentives for economy, and contexts for considering potential policy developments will be maintained. Where changes are being made these have been monitored and assessed by suitably trained staff and auditors.

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

## **CONCLUSION**

The Council's governance arrangements including internal control continue to be sound however further improvement needs to be made in certain areas to deliver the expected high standards the Council has set. Directors have been notified of the key areas where improvement is required and action plans have been drafted to ensure recommendations progress within six months. 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.

The current governance arrangements have enabled the Council to continue to deliver high quality services and maintain the lowest average council tax in the United Kingdom.

## **CERTIFICATE**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance is available on the Council's website, Audit Committee Paper No. 15-366), and action plans to address weaknesses and ensure continuous improvement of the system in place.

### **Significant governance issues**

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

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

Work is currently being undertaken to produce a risk summary report identifying potential risks to services (that would impact on the Council as a whole) together with suggested actions to be taken to mitigate these risks.

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

50% of audits receiving Limited Assurance related to Devolved Management Organisations (DMOs). DMOs have greater autonomy and areas of responsibility which have resulted in a higher than average breach of controls. Previous years' work has seen further improvement in Resident Management Organisations, and none of those audited during the year received a Limited Assurance opinion although further progress is still to be made. Internal Audit continues to work closely with officers in the Education and Social Services Department to improve controls in schools.

**(c) Personal Budgets**

Personal Budgets aim to enable individuals to control their own care. It is national policy that vulnerable people are supported in exerting choice and control in determining how they would like their care needs to be met. Increasingly this means that people may choose to make their own arrangements and indeed directly employ people to provide them with their care. However, as with Devolved Management Organisations the services provided through personal budgets are not necessarily subject to the same regulatory regime as traditional care services.

The Education and Social Services Department has worked closely with Internal Audit in order to minimise the risks. It should be noted that whilst those controls have not always been followed this has not led to any significant losses or deterioration in service being identified.

**(d) Data Security**

The challenges to effective data security management require constant review especially at a time when the Council is undergoing a period of significant change.

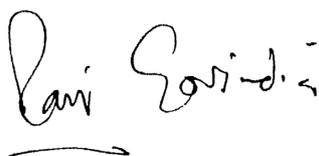
The Council is at risk of significant financial penalties and reputational damage should personal data be put at risk of inappropriate disclosure or misuse whether deliberately or accidentally. To assist, the Council's on-line information security awareness training module has been refreshed and all officers are required to complete the training.

**(e) NHS provided services**

A number of Public Health services are commissioned with NHS providers including GPs and local hospitals, with contract values of over £10m. The ability to effectively scrutinise these contracts and the ability to ensure these are achieving value for money has been impacted by not having access to supporting documentation due to the sensitivity of the data and NHS requirements and the statutory requirement for open access to services. This is a national issue and the Council is working with other authorities to ensure that tariffs charged consistently deliver value and that there is effective scrutiny.

**(f) Change Management**

Committee Paper 15-522 set out a proposed shared management structure with Richmond Council which reduced the senior management by approximately 30% across the two Councils. In order to ensure that managers' ability to effectively securitise the services for which they are responsible is maintained as much as possible, it is likely that there will need to be changes to current systems and processes. This poses significant risk to a number of key issues including Business Continuity, data security, data integrity and recruitment and retention. The Council is working closely with Richmond Council to minimise these risks by providing guidance toolkits outlining the relevant timescales and processes to be followed.



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



**P. Martin**  
Chief Executive

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

**REPORT ON THE FINANCIAL STATEMENTS**

***Our opinion***

In our opinion, Wandsworth Borough Council's financial statements (the "financial statements"):

- give a true and fair view of the state of the Council's affairs as at 31 March 2015 and of the Council's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

***What we have audited***

The financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Housing Revenue Account Income and Expenditure Statement for the year then ended;
- the Statement of Movement on the Housing Revenue Account for the year then ended;
- the Collection Fund for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

In applying the financial reporting framework, the Director of Finance has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## **OPINION ON OTHER MATTER PRESCRIBED BY THE CODE OF AUDIT PRACTICE**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

## **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

### ***Our responsibilities and those of the Director of Finance***

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Finance; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Director of Finance's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **REPORT ON THE PENSION FUND ACCOUNTS**

### ***Our opinion***

In our opinion, the pension fund accounts contained within the Statement of Accounts of Wandsworth Borough Council (the "pension fund accounts"):

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015, and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### ***What we have audited***

The pension fund accounts comprise:

- the Net Assets Statement as at 31 March 2015;
- the Fund Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In applying the financial reporting framework, the Director of Finance has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## **OPINION ON OTHER MATTER PRESCRIBED BY THE CODE OF AUDIT PRACTICE**

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.

## **RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS AND THE AUDIT**

### ***Our responsibilities and those of the Director of Finance***

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the pension fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

***What an audit of pension fund accounts involves***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Finance; and
- the overall presentation of the Pension Fund Accounts.

We primarily focus our work in these areas by assessing the Director of Finance's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **CONCLUSION ON THE COUNCIL'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 13 October 2014, we are satisfied that, in all significant respects, Wandsworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 13 October 2014, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### ***Our responsibilities and those of the Council***

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

**CERTIFICATE**

We certify that we have completed the audit of the financial statements of Wandsworth Borough Council and of the pension fund accounts of Wandsworth Borough Council Pension Fund in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.



Julian Rickett (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28 September 2015

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

## **MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**MOVEMENT IN RESERVES STATEMENT**

	<u>General</u> <u>Fund</u> <u>Balance</u> £'000	<u>Earmarked</u> <u>GF</u> <u>Reserves</u> £'000	<u>Housing</u> <u>Revenue</u> <u>Account</u> £'000	<u>Earmarked</u> <u>HRA</u> <u>Reserves</u> £'000	<u>Capital</u> <u>Receipts</u> <u>Reserve</u> £'000	<u>Capital</u> <u>Grants</u> <u>Unapplied</u> £'000	<u>Total</u> <u>Usable</u> <u>Reserves</u> £'000	<u>Unusable</u> <u>Reserves</u> £'000	<u>Total</u> <u>Authority</u> <u>Reserves</u> £'000
<b>Balance at 31st March 2013</b>	28,481	127,374	103,647	106,683	67,816	7,911	441,912	708,895	1,150,807
<b>Restated (see Note 9)</b>									
<b>Movement in reserves during 2013/14</b>									
Surplus on provision of services	14,704		160,721				175,425		175,425
Other comprehensive income and expenditure	-		-				-	(12,144)	(12,144)
<b>Total Comprehensive Income and Expenditure</b>	14,704		160,721				175,425	(12,144)	163,281
Adjustments between accounting basis and funding basis under regulations	18,975	-	(158,805)	22,049	(1,316)	3,761	(115,336)	115,336	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	33,679	-	1,916	22,049	(1,316)	3,761	60,089	103,192	163,281
Transfers to/from earmarked reserves	(27,675)	27,475	200	-	-	-	-	-	-
<b>Increase/Decrease in year</b>	6,004	27,475	2,116	22,049	(1,316)	3,761	60,089	103,192	163,281
<b>Balance at 31st March 2014 carried forward</b>	34,485	154,849	105,763	128,732	66,500	11,672	502,001	812,087	1,314,088
<b>Restated (see Note 9)</b>									
<b>Movement in reserves during 2014/15</b>									
Surplus on provision of services	20,172		234,924				255,096		255,096
Other comprehensive income and expenditure	-		-				-	109,659	109,659
<b>Total Comprehensive Income and Expenditure</b>	20,172		234,924				255,096	109,659	364,755
Adjustments between accounting basis and funding basis under regulations	6,940	-	(226,634)	23,241	147	23,582	(172,724)	172,724	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	27,112	-	8,290	23,241	147	23,582	82,372	282,383	364,755
Transfers to/from earmarked reserves	(34,651)	34,651	-	-	-	-	-	-	-
<b>Increase/Decrease in year</b>	(7,539)	34,651	8,290	23,241	147	23,582	82,372	282,383	364,755
<b>Balance at 31st March 2015 carried forward</b>	26,946	189,500	114,053	151,973	66,647	35,254	584,373	1,094,470	1,678,843

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

	Notes	<u>2014/15</u>			<u>2013/14</u>		
		<u>Expenditure</u>	<u>Income</u>	<u>Net</u>	<u>Expenditure</u>	<u>Income</u>	<u>Net</u>
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		20,727	(6,054)	14,673	19,801	(7,619)	12,182
Cultural and related services		23,008	(10,048)	12,960	19,228	(9,284)	9,944
Environment and regulatory services		18,081	(5,551)	12,530	18,314	(5,479)	12,835
Planning Services		8,004	(4,648)	3,356	7,094	(3,955)	3,139
Education and children's services		311,111	(204,947)	106,164	304,418	(211,528)	92,890
Highways and transport services		57,974	(35,121)	22,853	34,992	(34,490)	502
Local authority housing (HRA)		(72,420)	(137,830)	(210,250)	2,614	(138,083)	(135,469)
Other housing services		229,479	(226,074)	3,405	235,119	(222,133)	12,986
Adult social care		103,197	(22,340)	80,857	98,322	(19,635)	78,687
Public Health		25,506	(27,339)	(1,833)	26,348	(26,033)	315
Corporate and democratic core		6,386	-	6,386	6,604	-	6,604
Non distributed costs		2,045	(441)	1,604	1,559	(454)	1,105
<b>Deficit on Continuing Operations</b>		<b>733,098</b>	<b>(680,393)</b>	<b>52,705</b>	<b>774,413</b>	<b>(678,693)</b>	<b>95,720</b>
Other operating income	6			(9,302)			(7,881)
Financing and investment (income) and expenditure	7			(12)			7,617
Taxation and non-specific grant income	8			(298,487)			(270,880)
<b>Surplus on Provision of Services</b>				<b>(255,096)</b>			<b>(175,424)</b>
Surplus on revaluation of fixed assets	22			(178,706)			(20,755)
Surplus on revaluation of available for sale financial assets				(388)			(41)
Actuarial losses on pension assets/liabilities	22/38			69,435			32,939
<b>Other Comprehensive Income and Expenditure</b>				<b>(109,659)</b>			<b>12,143</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(364,755)</b>			<b>(163,281)</b>

## **BALANCE SHEET**

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

**BALANCE SHEET**

		<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000 Restated (see Note 9)	<u>31st March 2013</u> £'000 Restated (see Note 9)
	<u>Notes</u>			
Property, Plant and Equipment	9	1,751,944	1,426,439	1,318,661
Heritage Assets	10	748	748	748
Investment Property	11	56,702	55,231	50,383
Intangible Assets	12	100	111	128
Assets Held for Sale		-	-	-
Long-term Investments	13	90,000	-	25,000
Long-term Debtors		1,039	1,094	728
<b>Long-term Assets</b>		<b>1,900,533</b>	<b>1,483,623</b>	<b>1,395,648</b>
Short-term Investments		216,330	215,283	75,097
Assets Held for Sale	18	15,645	5,252	3,167
Inventories	14	590	542	429
Short-term Debtors	16	86,562	49,580	57,604
Cash and Cash Equivalents	17	173,807	176,393	206,901
<b>Current Assets</b>		<b>492,934</b>	<b>447,050</b>	<b>343,198</b>
Bank Overdraft		-	-	-
Short-term Borrowing		21,947	19,898	18,208
Short-term Creditors	19	161,835	130,063	104,274
Provisions	20	9,780	9,580	8,787
<b>Current Liabilities</b>		<b>193,562</b>	<b>159,541</b>	<b>131,269</b>
Long-term Provisions	20	6,995	6,474	8,479
Long-term Borrowing		154,816	175,517	194,920
Net Pensions Liability	22/38	352,180	265,239	219,264
Other Long-term Liabilities		-	-	-
Capital Grants Receipts in Advance	34	7,071	9,814	34,107
<b>Long-term Liabilities</b>		<b>521,062</b>	<b>457,044</b>	<b>456,770</b>
<b>Net Assets</b>		<b>1,678,843</b>	<b>1,314,088</b>	<b>1,150,807</b>

		<b>31st March 2015</b>	31st March 2014	31st March 2013
		£'000	£'000	£'000
			Restated (see Note 9)	Restated (see Note 9)
	<u>Notes</u>			
<b>Usable Reserves</b>				
General Fund Balance		26,946	34,485	28,481
Housing Revenue Account		114,053	105,763	103,647
Capital Receipts Reserve		66,647	66,500	67,816
Capital Grants Unapplied Account		-	11,672	7,911
Housing Major Repairs		151,973	128,732	106,683
Renewals Fund		30,691	30,147	30,959
Insurance Reserve		7,389	7,389	7,589
Specific Grant		2,400	2,400	2,400
Finite Services Fund		1,530	1,818	1,557
Employer's Pensions Contributions Reserve		41,400	41,400	41,400
Enhanced Pension Fund		1,965	2,704	3,535
Education Balances	33	29,302	29,175	23,644
Services Transformation Fund		23,484	23,484	5,000
Business Rate Volatility Reserve		4,759	5,000	5,000
Public Health Reserve		200	200	-
LPFA Deficit Funding Reserve		5,664	4,661	-
Wandsworth CIL Receipts		35,254	-	-
Financial Resilience Reserve		33,138	-	-
Other Balances		7,578	6,471	6,290
<b>Unusable Reserves</b>				
<u>Revaluation balances</u>				
Revaluation reserve	22	251,749	76,537	57,755
Available for Sale Financial Instruments Reserve		429	41	-
<u>Adjustment Accounts</u>				
Pensions Reserve	22/38	(352,180)	(265,239)	(219,264)
Capital Adjustment Account	22	1,196,768	1,003,741	872,885
Deferred Capital Receipts	22	31	256	484
Financial Instruments Adjustment Account	22	-	-	(6)
Collection Fund Adjustment Account	22	1,203	607	1,360
Accumulating Absences Account	22	(3,530)	(3,856)	(4,319)
<b>Total Reserves</b>		<b>1,678,843</b>	<b>1,314,088</b>	<b>1,150,807</b>

**CASH FLOW STATEMENT**

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

	<u>Notes</u>	<u>2014/15</u> <b>£'000</b>	<u>2013/14</u> £'000 Restated (see Note 9)
Net surplus on the provision of services		<b>255,096</b>	175,424
Adjust net surplus or deficit on the provision of services for non-cash movements	23	<b>(90,900)</b>	(6,045)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	<b>(146,707)</b>	(99,498)
Net cash flows from Operating Activities	23	<b>17,489</b>	69,881
Investing Activities	25	<b>(2,263)</b>	(82,894)
Financing Activities	26	<b>(17,812)</b>	(17,495)
		<b>(20,075)</b>	(100,389)
Net increase or decrease in cash and cash equivalents		<b>(2,586)</b>	(30,508)
Cash and cash equivalents at the beginning of the reporting period	17	<b>176,393</b>	206,901
<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>173,807</b>	176,393

## **NOTES TO THE ACCOUNTS**

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

#### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

#### **1.2 Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### 1.4 Exceptional Items

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

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

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

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

#### Change in Accounting Policy

Following the introduction of changes in the Accounting Code of Practice, certain schools' non-current assets are now recognised for the first time on the Council's balance sheet. The schools now recognised comprise Albemarle Primary School, Eardley Primary School, Hillbrook Primary School and Honeywell Infant and Junior Schools. The value included is £10.3 million at 31st March 2013, £12.2 million at 31st March 2014 and £12.8 million at 31st March 2014. Since this is a change in Accounting Policy, the opening balance sheet, together with the balance sheet as at 31st March 2013 has been restated. This change in Accounting Policy has also been reflected in restatement of prior years' figures where indicated in the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, and a number of related Notes to the Accounts.

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

## 1.6 Charges to Revenue for Non-Current Assets

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

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

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

## 1.7 Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

## Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by the Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

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

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

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Discretionary Benefits

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

## 1.8 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Annual charges are made to the Financing and Investment Income and Expenditure Statement for interest payable.

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

## Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to small businesses, as part of the economic development of town centres, at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

## 1.9 Government Grants and Contributions

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

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

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

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

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

### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy commenced on 1st November 2012 and is charged on any development over 100 square metres, at differential rates depending on location in the borough, with the appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, schools, public health care facilities, public open space and leisure provision) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure, this includes up to 5% of the income which can be retained to cover administrative costs.

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

### 1.10 Heritage Assets

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

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

### 1.11 Intangible Assets

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.12 Inventories

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

### 1.13 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 between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end, unless the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.14 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### 1.15 Leases

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

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

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

### **The Authority as Lessee**

#### Finance Leases

No finance leases are currently held.

## Operating Leases

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

### **The Authority as Lessor**

#### Finance Leases

No finance leases are currently provided.

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### 1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice for Local Authorities 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Surplus or Deficit on Continuing Operations.

### 1.17 Property, Plant and Equipment

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

## Recognition

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and community assets – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair 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.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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

- Valuations of Housing Revenue Account dwellings, garages and hostel accommodation have been carried out by members of the Royal Institute of Chartered Surveyors employed by Wilks Head and Eve in accordance with the advice set out in the "Guidance on Stock Valuation for Resource Accounting".

- Valuations of other operational and investment properties were carried out by members of the Royal Institute of Chartered Surveyors employed by Wilks Head and Eve in accordance with the "Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors". Not all the properties were inspected as this was neither practicable nor considered by the Borough Valuer to be necessary for the purpose of the valuations.
- The valuation dates and the stock composition dates for the exercise were as follows:

<u>Portfolio</u>	<u>Valuation Dates</u>	<u>Stock Composition Date</u>
Operational	31st March 2015	31st March 2015
Held for Sale	31st March 2015	31st March 2015
Residential	31st March 2015	31st March 2015
Investment	31st March 2015	31st March 2015

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

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

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

### Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

- Operational property assets – the major components of each operational property has been assessed with each component being depreciated reflecting the expected life of the component.
- Housing Revenue Account Assets – the Major Repairs Allowance (MRA) is used as a proxy for depreciation.
- vehicles, plant and equipment – reducing balance method (vehicles 20% p.a., plant and equipment 25% p.a.), reflecting the expected life of the asset.
- infrastructure – straight-line allocation over 20 years.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 1.18 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

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

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

### Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase which will last until 31st March 2019. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

## Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

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

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

## 1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

## 1.20 VAT

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

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

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

- There is a high degree of uncertainty about future levels of funding for local government.

However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.

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

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

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

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

Assets are depreciated over their useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls.

### **Provisions**

At 31st March 2015, the Council had a provision of £5.1 million for insurance claims based on claims lodged with, and values estimated by the Council's insurer. The Council is responsible for funding claims up to high levels of excesses as shown in the note on Provisions. It is not certain that all claims for past incidents have been received by the Council. An increase in claims, either in value or volume, in excess of the provision made would be met by amounts set aside in the Insurance Reserve. The adequacy of the amounts set aside, either as a provision or reserve, are subject to external actuarial review on a regular basis.

## **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £33.8 million. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pensions liability had increased by £86.9 million as a result of estimates being corrected as a result of experience and updating of the assumptions.

## **Arrears**

At 31st March 2015, the Council had debtors for a range of Council functions. These debts are reviewed annually and provisions made principally based on the type and age of debt, and taking into consideration the current economic climate. A prudent approach has been taken in setting sums aside with these factors in mind.

## **4. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Capital Receipts Reserve**

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

### **Major Repairs Reserve**

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

### **Capital Grants Unapplied**

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

<b>2014/15</b>	<b><u>General</u></b>	<b><u>Housing</u></b>	<b><u>Capital</u></b>	<b><u>Major</u></b>	<b><u>Capital</u></b>	<b><u>Movement in</u></b>
	<b><u>Fund</u></b>	<b><u>Revenue</u></b>	<b><u>Receipts</u></b>	<b><u>Repairs</u></b>	<b><u>Grants</u></b>	<b><u>Unusable</u></b>
	<b><u>Balance</u></b>	<b><u>Account</u></b>	<b><u>Reserve</u></b>	<b><u>Reserve</u></b>	<b><u>Unapplied</u></b>	<b><u>Reserves</u></b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	39,180	(147,620)				108,440
Revaluation loss/gain on Property Plant and Equipment	-	-				-
Movements in the market value of Investment Properties	(7,546)					7,546
Amortisation of intangible assets	61					(61)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(87,394)	(7,433)			94,827	-
Revenue expenditure funded from capital under statute	50,201	7,733				(57,934)
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	11,232	7,489				(18,721)
Surplus on asset exchange written off as part of gain/loss on disposal	-					-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Mandatory provision for the financing of capital investment				(34,356)		34,356
Capital expenditure charged against the General Fund and HRA balances	(34)					34
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						-
Application of grants to capital financing transferred to the Capital Adjustment Account					(71,245)	71,245
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22,507)	(29,373)	51,880			-
Use of the Capital Receipts Reserve to finance new capital expenditure				(44,628)		44,628
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		242	(242)			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,290		(2,290)			-
Contribution from Capital Receipts Reserve for retained pooled receipts allocation	6,710	-	(6,710)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				225		(225)
Transfer of unattached capital receipt to the Capital Receipts Reserve	-	(1,912)	1,912			-

<b><u>2014/15 Continued</u></b>	<b><u>General</u></b>	<b><u>Housing</u></b>	<b><u>Capital</u></b>	<b><u>Major</u></b>	<b><u>Capital</u></b>	<b><u>Movement</u></b>
	<b><u>Fund</u></b>	<b><u>Revenue</u></b>	<b><u>Receipts</u></b>	<b><u>Repairs</u></b>	<b><u>Grants</u></b>	<b><u>in Unusable</u></b>
	<b><u>Balance</u></b>	<b><u>Account</u></b>	<b><u>Reserve</u></b>	<b><u>Reserve</u></b>	<b><u>Unapplied</u></b>	<b><u>Reserves</u></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the</b>						
<b>Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-
<b>Adjustment primarily involving the Major</b>						
<b>Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		(22,052)		22,052		-
Use of the Major Repairs Reserve to finance new capital expenditure				-		-
Transfer of Depreciation charge for non-dwelling assets		(1,189)		1,189		-
<b>Adjustment primarily involving the</b>						
<b>Financial Instruments Adjustment</b>						
<b>Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-					-
<b>Adjustments primarily involving the</b>						
<b>Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	37,493	4,491				(41,984)
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,785)	(2,693)				24,478
<b>Adjustments primarily involving the</b>						
<b>Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax/NNDR income calculated for the year in accordance with statutory requirements						596
	(596)					596
<b>Adjustment primarily involving the</b>						
<b>Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						326
	(365)	39				326
<b>Actuarial pension effects charged to the</b>						
<b>Comprehensive Income and Expenditure</b>						
<b>Account</b>						
	-					-
<b>Total Adjustments</b>	<b>6,940</b>	<b>(226,634)</b>	<b>147</b>	<b>23,241</b>	<b>23,582</b>	<b>172,724</b>

<b>2013/14 Restated (see Note 9)</b>	<u>General</u> <u>Fund</u> <u>Balance</u> £'000	<u>Housing</u> <u>Revenue</u> <u>Account</u> £'000	<u>Capital</u> <u>Receipts</u> <u>Reserve</u> £'000	<u>Major</u> <u>Repairs</u> <u>Reserve</u> £'000	<u>Capital</u> <u>Grants</u> <u>Unapplied</u> £'000	<u>Movement</u> <u>in Unusable</u> <u>Reserves</u> £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	13,770	(75,137)				61,367
Revaluation losses on Property Plant and Equipment	-	-				-
Movements in the market value of Investment Properties	(898)					898
Amortisation of intangible assets	50					(50)
Capital grants and contributions applied	(50,171)	(3,617)			53,788	-
Revenue expenditure funded from capital under statute	39,049	4,391				(43,440)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,617	8,178				(14,795)
Surplus on asset exchange written off as part of gain/loss on disposal	(3,787)					3,787
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Mandatory provision for the financing of capital investment			(34,356)			34,356
Capital expenditure charged against the General Fund and HRA balances	-					-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						-
Application of grants to capital financing transferred to the Capital Adjustment Account					(50,027)	50,027
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,967)	(35,992)	43,959			-
Use of the Capital Receipts Reserve to finance new capital expenditure				(36,209)		36,209
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		365	(365)			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,085		(2,085)			-
Contribution from Capital Receipts Reserve for retained pooled receipts allocation	8,350	(306)	(8,044)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				228		(228)
Transfer of unattached capital receipt to the Capital Receipts Reserve	(27)	(1,173)	1,200			-

<b>2013/14 Restated (see Note 9) Continued</b>	<u>General</u> <u>Fund</u> <u>Balance</u> £'000	<u>Housing</u> <u>Revenue</u> <u>Account</u> £'000	<u>Capital</u> <u>Receipts</u> <u>Reserve</u> £'000	<u>Major</u> <u>Repairs</u> <u>Reserve</u> £'000	<u>Capital</u> <u>Grants</u> <u>Unapplied</u> £'000	<u>Movement</u> <u>in Unusable</u> <u>Reserves</u> £'000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		(21,525)		21,525		-
Use of the Major Repairs Reserve to finance new capital expenditure				(525)		525
Transfer of Depreciation charge for non-dwelling assets		(1,049)		1,049		-
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						6
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	32,975	4,380				(37,355)
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,400)	(2,919)				24,319
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements				753		(753)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				(418)	(45)	463
<b>Actuarial pension effects charged to the Comprehensive Income and Expenditure Account</b>						-
<b>Total Adjustments</b>	<b>18,975</b>	<b>(158,805)</b>	<b>(1,316)</b>	<b>22,049</b>	<b>3,761</b>	<b>115,336</b>

## 5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15.

	Restated (see Note 9)			Restated (see Note 9)			<b>Balance 31st March 2015 £'000</b>
	<b>Balance</b>	<b>Transfers</b>	<b>Transfers</b>	<b>Balance</b>	<b>Transfers</b>	<b>Transfers</b>	
	<u>1st April</u>	<u>Out</u>	<u>In</u>	<u>31st March</u>	<u>Out</u>	<u>In</u>	
	2013	2013/14	2013/14	2014	2014/15	2014/15	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
General Fund Balance	28,481	252,742	258,746	34,485	<b>257,993</b>	<b>250,454</b>	<b>26,946</b>
Renewals Fund	30,959	2,631	1,819	30,147	<b>3,483</b>	<b>4,027</b>	<b>30,691</b>
Specific Grant Reserve	2,400	-	-	2,400	-	-	<b>2,400</b>
Insurance Reserve	7,589	200	-	7,389	-	-	<b>7,389</b>
Finite Services Fund	1,557	539	800	1,818	<b>288</b>	-	<b>1,530</b>
Employer's Pensions							
Contributions Reserve	41,400	-	-	41,400	-	-	<b>41,400</b>
Enhanced Pension Fund	3,535	839	8	2,704	<b>747</b>	<b>8</b>	<b>1,965</b>
Services Transformation Fund	5,000	-	18,484	23,484	<b>10,000</b>	<b>10,000</b>	<b>23,484</b>
Financial Resilience Reserve	-	-	-	-	-	<b>33,138</b>	<b>33,138</b>
Business Rate Volatility Reserve	5,000	-	-	5,000	<b>241</b>	-	<b>4,759</b>
Public Health Reserve	-	-	200	200	-	-	<b>200</b>
Education Balances	23,644	20,633	26,164	29,175	<b>23,308</b>	<b>23,435</b>	<b>29,302</b>
Capital Grants Unapplied	7,911	23,994	27,755	11,672	<b>66,107</b>	<b>54,435</b>	-
Wandsworth CIL Receipts	-	-	-	-	-	<b>35,254</b>	<b>35,254</b>
LPFA Deficit Funding Reserve	-	-	4,661	4,661	-	<b>1,003</b>	<b>5,664</b>
Other Balances	6,290	1,029	1,210	6,471	<b>722</b>	<b>1,829</b>	<b>7,578</b>
<b>Total</b>	<b>163,766</b>	<b>302,607</b>	<b>339,847</b>	<b>201,006</b>	<b>362,889</b>	<b>413,583</b>	<b>251,700</b>
<b>HRA:</b>							
Housing Revenue Account	103,647	-	2,116	105,763	-	<b>8,290</b>	<b>114,053</b>
Housing Major Repairs Reserve	106,683	524	22,573	128,732	-	<b>23,241</b>	<b>151,973</b>
<b>Total</b>	<b>210,330</b>	<b>524</b>	<b>24,689</b>	<b>234,495</b>	<b>-</b>	<b>31,531</b>	<b>266,026</b>
<b>Grand Total</b>	<b>374,096</b>			<b>435,501</b>			<b>517,726</b>
General Fund	28,481			34,485			<b>26,946</b>
Earmarked Reserves	135,285			166,521			<b>224,754</b>
HRA	103,647			105,763			<b>114,053</b>
Earmarked HRA (MRA)	106,683			128,732			<b>151,973</b>
	<b>374,096</b>			<b>435,501</b>			<b>517,726</b>
Capital Receipts Reserve	67,816			66,500			<b>66,647</b>
	<b>441,912</b>			<b>502,001</b>			<b>584,373</b>
Unusable Reserves (Note 22)	708,895			812,087			<b>1,094,470</b>
	<b>1,150,807</b>			<b>1,314,088</b>			<b>1,678,843</b>

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Levies	16,769	16,139
Payments to the Government Housing Capital Receipts Pool	2,290	2,085
Retained Housing Capital Receipts	5,110	8,045
Surplus on asset exchange	-	(3,787)
Gains on the disposal of non-current assets	(33,471)	(30,363)
<b>Total</b>	<u><u>(9,302)</u></u>	<u><u>(7,881)</u></u>

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Interest payable and similar charges	3,552	3,987
Pensions interest cost and expected return on pensions assets	11,115	8,601
Interest receivable and similar income	(3,408)	(1,966)
Income and expenditure in relation to investment properties and changes in their fair value	(10,088)	(2,715)
Other investment income	-	(6)
Net surplus on trading activities	(427)	(503)
Appropriation of trading fund balances	-	-
Revenue movement of other balances	(756)	219
<b>Total</b>	<u><u>(12)</u></u>	<u><u>7,617</u></u>

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Council tax income	47,693	46,338
Non domestic rates income	30,280	28,516
Non-ringfenced government grants	125,686	142,238
Capital grants and contributions	94,828	53,788
<b>Total</b>	<u><u>298,487</u></u>	<u><u>270,880</u></u>

## 9. Property, Plant and Equipment

	<u>Council</u> <u>Dwellings</u> £'000	<u>Operat-</u> <u>ional</u> <u>Land and</u> <u>Buildings</u> £'000	<u>Vehicles,</u> <u>Plant and</u> <u>Equipment</u> £'000	<u>Infra-</u> <u>structure</u> <u>Assets</u> £'000	<u>Comm-</u> <u>unity</u> <u>Assets</u> £'000	<u>Surplus</u> <u>Assets</u> £'000	<u>Total PP&amp;E</u> £'000
<b>Cost or valuation</b>							
<b>at 1st April 2014 (Restated)</b>	<b>1,031,862</b>	<b>316,759</b>	<b>30,959</b>	<b>137,290</b>	<b>19,027</b>	<b>4,799</b>	<b>1,540,696</b>
Additions	24,877	22,477	1,568	11,109	-	-	60,031
Revaluation decreases/increases recognised in Revaluation Reserve	71,942	59,558	-	-	-	3,756	135,256
Revaluation decreases to Surplus/Deficit on Provision of Services	(4,099)	(35,870)	-	-	-	-	(39,969)
Revaluation increases to Surplus/Deficit on Provision of Services	174,960	10,533	-	-	-	-	185,493
Derecognition - disposals	(7,277)	(855)	-	-	-	(963)	(9,095)
Derecognition - other	-	(4,607)	-	-	-	-	(4,607)
Reclassifications	4,416	(5,295)	-	-	-	(7,592)	(8,471)
<b>at 31st March 2015</b>	<b>1,296,681</b>	<b>362,700</b>	<b>32,527</b>	<b>148,399</b>	<b>19,027</b>	<b>-</b>	<b>1,859,334</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>at 1st April 2014 (Restated)</b>	(208)	(14,459)	(24,491)	(74,864)	-	(235)	(114,257)
Depreciation charge	(23,241)	(5,731)	(1,871)	(6,164)	-	(78)	(37,085)
Depreciation written out to Revaluation Reserve	23,449	19,734	-	-	-	267	43,450
Impairment losses/reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	123	-	-	-	46	169
Derecognition - other	-	333	-	-	-	-	333
Reclassifications	-	-	-	-	-	-	-
<b>at 31st March 2015</b>	<b>-</b>	<b>-</b>	<b>(26,362)</b>	<b>(81,028)</b>	<b>-</b>	<b>-</b>	<b>(107,390)</b>
<b>Net Book Value</b>							
At 31st March 2015	<b>1,296,681</b>	<b>362,700</b>	<b>6,165</b>	<b>67,371</b>	<b>19,027</b>	<b>-</b>	<b>1,751,944</b>
At 31st March 2014 (Restated)	<b>1,031,654</b>	<b>302,300</b>	<b>6,468</b>	<b>62,426</b>	<b>19,027</b>	<b>4,564</b>	<b>1,426,439</b>

	<u>Council</u>	<u>Operat-</u>	<u>Vehicles,</u>	<u>Infra-</u>	<u>Comm-</u>	<u>Surplus</u>	<u>Total PP&amp;E</u>
	<u>Dwellings</u>	<u>Land and</u>	<u>Plant and</u>	<u>structure</u>	<u>unity</u>	<u>Assets</u>	
	£'000	Buildings	Equipment	Assets	Assets	Assets	£'000
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
<b>at 1st April 2013 (Restated)</b>	927,162	309,073	30,751	128,145	19,027	5,876	1,420,034
Additions	19,262	12,209	1,479	9,145	-	-	42,095
Revaluation decreases recognised in Revaluation Reserve	(4,992)	2,470	-	-	-	447	(2,075)
Revaluation decreases to Surplus/Deficit on Provision of Services	(761)	-	-	-	-	-	(761)
Revaluation increases to Surplus/Deficit on Provision of Services	98,472	-	-	-	-	-	98,472
Derecognition - disposals	(7,270)	(733)	-	-	-	-	(8,003)
Derecognition - other	-	(3,166)	(1,271)	-	-	-	(4,437)
Reclassifications	(11)	(3,094)	-	-	-	(1,524)	(4,629)
<b>at 31st March 2014 (Restated)</b>	<b>1,031,862</b>	<b>316,759</b>	<b>30,959</b>	<b>137,290</b>	<b>19,027</b>	<b>4,799</b>	<b>1,540,696</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>at 1st April 2013 (Restated)</b>	(119)	(9,533)	(23,033)	(68,506)	-	(182)	(101,373)
Depreciation charge	(22,574)	(5,414)	(1,906)	(6,358)	-	(92)	(36,344)
Depreciation written out to Revaluation Reserve	22,485	306	-	-	-	39	22,830
Impairment losses/reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	80	-	-	-	-	80
Derecognition - other	-	102	448	-	-	-	550
Reclassifications	-	-	-	-	-	-	-
<b>at 31st March 2014 (Restated)</b>	<b>(208)</b>	<b>(14,459)</b>	<b>(24,491)</b>	<b>(74,864)</b>	<b>-</b>	<b>(235)</b>	<b>(114,257)</b>
<b>Net Book Value</b>							
At 31st March 2014	<b>1,031,654</b>	<b>302,300</b>	<b>6,468</b>	<b>62,426</b>	<b>19,027</b>	<b>4,564</b>	<b>1,426,439</b>
At 31st March 2013	<b>927,043</b>	<b>299,540</b>	<b>7,718</b>	<b>59,639</b>	<b>19,027</b>	<b>5,694</b>	<b>1,318,661</b>

Notional disposal costs have been deducted from the valuations. The previous year's figures are shown in brackets. These amount to £6.1 million (£6.2 million) for Council Dwellings, £3.4 million (£2.7 million) for operational land and buildings, and £1.0 million (£1.0 million) for investment properties.

Due to a change in the Code of Practice on Local Authority Accounting, it has been necessary to restate the previous years' figures to reflect the inclusion of non-current assets of certain schools within the accounts for the first time (see Note 1.5 - Change in Accounting Policy).

## 10. Heritage Assets

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

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

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

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

The insurance listing constitutes a register of the assets.

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

The valuations are at retail replacement value for insurance purposes as at 6th January 2009. They were carried out by JEMS a firm of independent specialist appraisers and international jewellery consultants.

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

The Council is of the opinion that the costs of identifying and obtaining valuations for other potential heritage assets, such as the statue of King Edward VII at Tooting Broadway Underground Station, statues and sculptures in parks and open spaces and other artefacts held, would be disproportionate in terms of the benefits derived by the users of the accounts.

## 11. Investment Property

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

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
Rental income from investment property	3,890	3,597
Direct operating expenses arising from investment property	(113)	(105)
<b>Net gain</b>	<u><u>3,777</u></u>	<u><u>3,492</u></u>

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

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Balance at start of the year	55,231	50,383
Additions:		
Purchases	1,366	605
Construction	-	-
Subsequent valuation on asset exchange	-	3,787
Disposals	(3,080)	(442)
Net gains/losses from fair value adjustments	7,546	898
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	(4,361)	-
to/from Assets Held for Sale	-	-
Other changes	-	-
<b>Balance at end of the year</b>	<b><u>56,702</u></b>	<b><u>55,231</u></b>

## 12. Intangible Assets

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

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

## 13. Long Term Investments

Long term investments comprise investments that have more than one year to maturity and amounted to £90 million at 31st March 2015 (previous year nil). These investments are all due to mature within two years.

**14. Inventories**

	<u>Consumable</u>		<u>Work in</u>		<u>Total</u>	
	<u>Stores</u>		<u>Progress</u>			
	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	<b>393</b>	421	<b>149</b>	8	<b>542</b>	429
Purchases	<b>1,479</b>	2,217	<b>263</b>	141	<b>1,742</b>	2,358
Recognised as an expense in the year	<b>(1,694)</b>	(2,200)	-	-	<b>(1,694)</b>	(2,200)
Written off balances	-	(45)	-	-	-	(45)
<b>Balance outstanding at year-end</b>	<b>178</b>	393	<b>412</b>	149	<b>590</b>	542

**15. Construction Contracts**

The Council has authorised expenditure in future years of £176.4 million under its capital programme, of which £28.5 million has been contractually committed on larger schemes for 2015/16 and future years.

The most significant individual contractually committed schemes are:

	<u>£'000</u>
(i) Ark Putney Academy - Remodelling and Refurbishment	4,214
(ii) Surrey Lane Estate Window Renewal Phase 3 & 4	3,480
(iii) Hillbrook Primary School Expansion	2,941
(iv) Sheringdale Primary School Expansion	2,790
(v) Ashburton South Estate Window Renewal Phase 3	2,356
(vi) Granard Primary School Expansion	1,876
(vii) Leisure Centre Improvements	1,526
(viii) Floreat Wandsworth Primary School Construction	1,508
(ix) Albemarle Primary School Expansion	1,272
(x) Riversdale Primary School – New Block	952
(xi) Penwortham Primary School Expansion	944
(xii) Eastwood Estate Replacement of Heating Systems	927
(xiii) Argyle Estate Replacement of Heating Systems	810
(xiv) Carey Gardens Decent Homes Phase 5 (Kitchens & Bathrooms)	792
(xv) Greenmead School Additional Classrooms	585
(xvi) Magdalen Park Estate Roof Covering Renewal Phase 1	577
(xvii) Parking Machines Replacement Phase 2	532

**16. Short-term Debtors**

			<u>31st March 2015</u>	<u>31st March 2014</u>
			£'000	£'000
Central government bodies			9,019	7,090
Other local authorities			2,853	9,688
Leaseholders' service charges			5,916	5,957
Housing rents, heating and hot water charges			5,905	6,009
Housing Benefits			21,881	17,559
Council Tax			3,480	3,456
NHS bodies			8,040	1,738
Other entities and individuals			45,845	23,542
			<b>102,939</b>	<b>75,039</b>
<b>Less provisions for doubtful debts</b>	<u>Provisions</u>	<u>Provisions</u>		
	<u>Made</u>	<u>Used</u>		
	£'000	£'000		
Central government bodies	-	-	-	-
Other local authorities	(223)	-	200	423
Leaseholders' service charges	-	-	100	100
Housing rents, heating and hot water charges	184	563	3,480	3,859
Housing Benefits	3,884	12,564	7,224	15,904
Council Tax	2,837	2,878	2,649	2,690
NHS Bodies	-	-	-	-
Other entities and individuals	3,094	2,821	7,332	7,059
			<b>20,985</b>	<b>30,035</b>
Debtors less provisions			<b>81,954</b>	45,004
Payments in advance			<b>4,608</b>	4,576
<b>Total</b>			<b>86,562</b>	<b>49,580</b>

**17. Cash and Cash Equivalents**

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

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
Cash held by the Council	2,233	1,743
Bank current accounts	(2,386)	(6,492)
Short-term deposits	173,960	181,142
<b>Total Cash and Cash Equivalents</b>	<b>173,807</b>	<b>176,393</b>

**18. Assets Held for Sale**

	<b>Current</b>	
	<b><u>2014/15</u></b>	<b><u>2013/14</u></b>
	<b>£'000</b>	<b>£'000</b>
Balance outstanding at start of year	5,252	3,167
Assets newly classified as held for sale:		
Property, Plant and Equipment	12,833	4,915
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	(286)
Investment Properties	-	-
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Assets sold	(2,440)	(2,544)
Transfers from non-current to current	-	-
Other movements	-	-
<b>Balance outstanding at year-end</b>	<b><u>15,645</u></b>	<b><u>5,252</u></b>

**19. Short-term Creditors**

	<b><u>31st March 2015</u></b>	<b><u>31st March 2014</u></b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies	7,645	8,637
Other local authorities	15,822	6,363
NHS bodies	6,135	176
Other entities and individuals	49,179	44,308
	<b><u>78,781</u></b>	<b><u>59,484</u></b>
Receipts in advance	83,054	70,579
<b>Total</b>	<b><u>161,835</u></b>	<b><u>130,063</u></b>

## 20. Provisions

	Notes	31st March 2014			31st March 2015			Total £'000	
		Due		Provisions Total £'000	Due		Provisions Used £'000		
		Within 1 Year £'000	Between 1 and 5 Years £'000		Within 1 Year £'000	Between 1 and 5 Years £'000			
Insurance Fund	(i)	1,959	2,895	4,854	4,430	4,156	2,137	2,991	5,128
Tree root claims	(ii)	977	2,279	3,256	483	369	1,011	2,359	3,370
Accumulating absences Business rates provision for appeals	(iii) (iv)	3,856	-	3,856	-	326	3,530	-	3,530
Other provisions		887	887	1,774	5,167	4,859	1,041	1,041	2,082
		1,901	413	2,314	887	536	2,061	604	2,665
		9,580	6,474	16,054	10,967	10,246	9,780	6,995	16,775

### Notes:

- (i) The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £514,600 and property claims up to £50,000 of each loss. The level of provision is mainly based on advice from the Council's insurers. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.
- (ii) The Council provides for claims resulting from damage caused by Council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.
- (iii) Under IFRS, the Council is required to provide for short term employee benefits – short term compensated absences. This consists of the value of annual leave and flexi-time which employees have earned by 31st March 2015 but have not yet taken.
- (iv) The Council has made a provision for appeals lodged by Business Ratepayers with the Valuation Office regarding the rateable value of properties, which have yet to be determined.

## 21. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 4. Further details of the purpose of the Council's usable reserves can be found in the following committee reports on the Council's website <https://democracy.wandsworth.gov.uk/documents/s36496/Council%20Tax%20-%202015-16.pdf> and <https://democracy.wandsworth.gov.uk/documents/s37788/15-261%20-%20Council%20Financial%20Results%20for%20year%20ended%2031st%20March%202015.pdf>.

**22. Unusable Reserves**

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
		Restated (see Note 9)
Revaluation Reserve	251,749	76,537
Available for Sale Financial Instruments Account	429	41
Capital Adjustment Account	1,196,768	1,003,741
Financial Instruments Adjustment Account	-	-
Pensions Reserve	(352,180)	(265,239)
Deferred Capital Receipts Reserve	31	256
Collection Fund Adjustment Account	1,203	607
Accumulated Absences Adjustment Account	(3,530)	(3,856)
<b>Total Unusable Reserves</b>	<u><u>1,094,470</u></u>	<u><u>812,087</u></u>

**Revaluation Reserve**

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

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

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

	<u>2014/15</u>		<u>2013/14</u>	
	£'000	£'000	£'000	£'000
			Restated (see Note 9)	
Balance at 1st April updated		76,537		57,755
Upward revaluation of assets	191,608		21,135	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>(12,902)</u>		<u>(380)</u>	
Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		178,706		20,755
Difference between fair value depreciation and historical cost depreciation	(1,477)		(1,107)	
Accumulated gains on assets sold or scrapped	<u>(2,017)</u>		<u>(866)</u>	
Amount written off to the Capital Adjustment Account		(3,494)		(1,973)
<b>Balance at 31st March</b>		<u><u>251,749</u></u>		<u><u>76,537</u></u>

### Available for Sale Financial Instruments Reserve

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

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

	<u>2014/15</u>		<u>2013/14</u>	
	£'000	£'000	£'000	£'000
Balance at 1st April		41		-
Upward revaluation of investments	458		41	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-		-	
	<u>          </u>	458	<u>          </u>	41
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		(70)		-
<b>Balance at 31st March</b>		<u><u>429</u></u>		<u><u>41</u></u>

### Capital Adjustment Account

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

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

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

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<u>2014/15</u> £'000	<u>2013/14</u> £'000 Restated (see Note 9)
<b>Balance at 1st April restated</b>	<b>1,003,741</b>	872,885
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	<b>108,440</b>	61,367
Revaluation losses on Property, Plant and Equipment	-	-
Amortisation of intangible assets	<b>(61)</b>	(50)
Revenue expenditure funded from capital under statute	<b>(57,934)</b>	(43,440)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(18,721)</b>	(14,796)
Surplus on asset exchange written off as part of gain/loss on disposal	-	3,787
	<hr/> <b>31,724</b>	<hr/> 6,868
Adjusting amounts written out of the Revaluation Reserve	<b>3,495</b>	1,974
Net written out amount of the cost of non-current assets consumed in the year	<hr/> <b>35,219</b>	<hr/> 8,842
 <b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	<b>43,055</b>	35,903
Use of retained one for one receipts to finance new capital expenditure	<b>1,573</b>	306
Use of the Major Repairs Reserve to finance new capital expenditure	-	524
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>59,573</b>	49,187
Application of grants to capital financing from the Capital Grants Unapplied Account	<b>11,671</b>	840
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	<b>34,356</b>	34,356
Capital expenditure charged against the General Fund and HRA balances	<b>34</b>	-
	<hr/> <b>150,262</b>	<hr/> 121,116
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>7,546</b>	898
<b>Balance at 31st March</b>	<hr/> <b>1,196,768</b>	<hr/> 1,003,741

**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.

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Balance at 1st April	-	(6)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	6
<b>Balance at 31st March</b>	<u>-</u>	<u>-</u>

**Pensions Reserve**

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Balance at 1st April	(265,239)	(219,264)
Actuarial (losses) on pensions assets and liabilities	(69,435)	(32,939)
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	(17,506)	(13,036)
<b>Balance at 31st March</b>	<b><u>(352,180)</u></b>	<b><u>(265,239)</u></b>

**Deferred Capital Receipts Reserve**

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Balance at 1st April	256	484
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(225)	(228)
<b>Balance at 31st March</b>	<b><u>31</u></b>	<b><u>256</u></b>

**Collection Fund Adjustment Account**

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Balance at 1st April	607	1,360
Amount by which council tax & NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	596	(753)
<b>Balance at 31st March</b>	<u><u>1,203</u></u>	<u><u>607</u></u>

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	<u>2014/15</u>		<u>2013/14</u>	
	£'000	£'000	£'000	£'000
Balance at 1st April		(3,856)		(4,319)
Settlement or cancellation of accrual made at the end of the preceding year	3,856		4,319	
Amounts accrued at the end of the current year	<u>(3,530)</u>		<u>(3,856)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		326		463
<b>Balance at 31st March</b>		<u><u>(3,530)</u></u>		<u><u>(3,856)</u></u>

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

	<u>2014/15</u>		<u>2013/14</u>	
	£'000	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services		<b>255,096</b>	Restated (See Note 9) 175,424	
<u>Adjustment for non cash movements</u>				
Depreciation		<b>37,085</b>	36,344	
Impairment and downward valuations		<b>(145,524)</b>	(97,711)	
Amortisation		<b>61</b>	50	
Movement in interest creditors		<b>(18)</b>	(57)	
Movement in creditors		<b>25,840</b>	25,628	
Movement in interest and dividend debtors		<b>(1,043)</b>	(186)	
Movement in debtors		<b>(36,982)</b>	8,024	
Movement in inventories		<b>(48)</b>	(113)	
Movement in pension liability		<b>17,506</b>	13,036	
Contributions to provisions		<b>721</b>	(1,212)	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		<b>18,721</b>	14,796	
Movement in investment property values		<b>(7,545)</b>	(4,685)	
Other non-cash movements		<b>326</b>	41	
		<b>(90,900)</b>		(6,045)
<u>Adjustment for investing or financing activities</u>				
Capital grants credited to surplus or deficit on the provision of services		<b>(94,827)</b>	(53,788)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		<b>(51,880)</b>	(45,710)	
		<b>(146,707)</b>		(99,498)
<b>Net cash flows from operating activities</b>		<b><u>17,489</u></b>		<b><u>69,881</u></b>

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

The cash flows for operating activities include the following items:

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
Interest received	<b>2,792</b>	1,786
Interest paid	<b>(3,570)</b>	(4,044)
	<b><u>(778)</u></b>	<b><u>(2,258)</u></b>

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000 Restated (See Note 9)
Purchase of property, plant and equipment, investment property and intangible assets	(56,337)	(42,733)
Purchase of short-term and long-term investments	(320,600)	(250,000)
Other payments for investing activities	(304)	(663)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	52,105	45,911
Proceeds from short-term and long-term investments	230,600	135,000
Other receipts from investing activities	92,273	29,591
<b>Net cash flows from investing activities</b>	<u><u>(2,263)</u></u>	<u><u>(82,894)</u></u>

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Cash receipts of short and long-term borrowing	490	410
Other receipts from financing activities	-	161
Repayments of short-term and long-term borrowing	(19,124)	(18,066)
Other payments for financing activities	822	-
<b>Net cash flows from financing activities</b>	<u><u>(17,812)</u></u>	<u><u>(17,495)</u></u>

**27. Amounts Reported for Resource Allocation**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across committee services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure except for depreciation (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's committee services recorded in the budget reports for the year is as follows:

**2014/15 Objective Reconciliation**

	<u>Committee Analysis</u>			<u>Comprehensive Income and Expenditure Statement</u>			<u>Reconciling Items</u>		
	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	178,684	(8,290)	170,394	(20,172)	(234,924)	(255,096)	(198,856)	(226,634)	(425,490)

**Reconciliation**

Amounts not included in the segmental analysis but included  
in the Comprehensive Income and Expenditure Statement

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Depreciation and impairment of assets	31,634	(170,861)	(139,227)
Pension costs on IAS 19 basis	5,816	575	6,391
Revenue expenditure charged to capital under statute	50,201	7,733	57,934
(Profit)/loss on the sale of fixed assets	(11,275)	(23,796)	(35,071)
General grants and council tax income	(203,659)	-	(203,659)
Capital grants and contributions	(87,395)	(7,433)	(94,828)
Trading account surpluses	(349)	-	(349)
HRA interest payable and receivable	-	1,223	1,223
Other balances	6,279	280	6,559
	<u>(208,748)</u>	<u>(192,279)</u>	<u>(401,027)</u>

Amounts included in the segmental analysis but not included  
in the Comprehensive Income and Expenditure Statement

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Investment interest	9,892	-	9,892
Minimum Revenue Provision	-	(34,355)	(34,355)
Interest paid to the HRA	-	9,892	9,892
	<u>(198,856)</u>	<u>(226,634)</u>	<u>(425,490)</u>

**2014/15 Reconciliation to the Subjective Analysis**

General Fund Accounts	Directorate analysis £'000	Services and support services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in Cl&E £'000	Allocation of recharges £'000	Cost of services £'000	Corporate amounts £'000	Total £'000
Fees, charges and other service income	(738,458)	(349)						(738,807)
Surplus or deficit on associates and joint ventures								-
Interest and investment income							9,892	9,892
Council tax & business rates			(77,973)					(77,973)
Government grants and contributions							(213,081)	(213,081)
Rent received								-
<b>Total Income</b>	<b>(738,458)</b>	<b>(349)</b>	<b>(77,973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(203,189)</b>	<b>(1,019,969)</b>
Employee expenses	213,147		5,452					218,599
Other service expenses	703,995		47,844					751,839
Support service recharges								-
Depreciation, amortisation and impairment			31,634					31,634
Interest payments			-					-
Payments to Housing Capital Receipts Pool			9,000					9,000
Gain or loss on disposal on Fixed Assets							(11,275)	(11,275)
Housing benefit paid								-
<b>Total Expenditure</b>	<b>917,142</b>	<b>-</b>	<b>93,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,275)</b>	<b>999,797</b>
<b>Surplus or deficit on the provision of services</b>	<b>178,684</b>	<b>(349)</b>	<b>15,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(214,464)</b>	<b>(20,172)</b>
<b>Housing Revenue Account</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supervision, Management & Maintenance								
Repairs & Maintenance	25,119							25,119
General Management	28,607		613					29,220
Special Services	13,636							13,636
Cost of Rent Rebates	50							50
Capital Financing Costs	40,334			(34,355)				5,979
Other Expenses	718		(162,886)					(162,168)
Contribution to Capital	23,241							23,241
<b>Total Expenditure</b>	<b>131,705</b>	<b>-</b>	<b>(162,273)</b>	<b>(34,355)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(64,923)</b>
Gross Rents - Dwellings	(110,632)							(110,632)
Gross Rents - Non-Dwellings	(4,110)							(4,110)
Leaseholder Service Charges	(12,599)							(12,599)
Appropriation from Reserve	-							-
Other Income	(12,654)						(30,006)	(42,660)
<b>Total Income</b>	<b>(139,995)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,006)</b>	<b>(170,001)</b>
<b>Net Expenditure</b>	<b>(8,290)</b>	<b>-</b>	<b>(162,273)</b>	<b>(34,355)</b>	<b>-</b>	<b>-</b>	<b>(30,006)</b>	<b>(234,924)</b>

**2013/14 Objective Reconciliation (Restated - see Note 9)**

	<u>Committee Analysis</u>			<u>Comprehensive Income and Expenditure Statement</u>			<u>Reconciling Items</u>		
	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	194,356	(2,117)	192,239	(14,703)	(160,721)	(175,424)	(209,059)	(158,604)	(367,663)

**Reconciliation**

Amounts not included in the segmental analysis but included in the Comprehensive Income and Expenditure Statement

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Depreciation and impairment of assets	12,648	(97,711)	(85,063)
Pension costs on IAS 19 basis	4,006	429	4,435
Revenue expenditure charged to capital under statute	39,050	4,391	43,441
(Profit)/loss on the sale of fixed assets	(5,164)	(28,986)	(34,150)
General grants and council tax income	(217,092)	-	(217,092)
Capital grants and contributions	(49,866)	(3,922)	(53,788)
Trading account surpluses	(503)	-	(503)
HRA interest payable and receivable	-	1,032	1,032
Other balances	293	519	812
	<u>(216,628)</u>	<u>(124,248)</u>	<u>(340,876)</u>

Amounts included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Investment interest	7,569	-	7,569
Minimum Revenue Provision	-	(34,356)	(34,356)
Interest paid to the HRA	-	(34,356)	(34,356)
	<u>(209,059)</u>	<u>(158,604)</u>	<u>(367,663)</u>

**2013/14 Reconciliation to the Subjective Analysis (Restated - see Note 9)**

	Directorate analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Cl&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Accounts</b>								
Fees, charges and other service income	(565,636)	(503)						(566,139)
Surplus or deficit on associates and joint ventures								-
Interest and investment income							7,569	7,569
Council tax & business rates			(74,854)					(74,854)
Government grants and contributions							(192,104)	(192,104)
Rent received								-
<b>Total Income</b>	<b>(565,636)</b>	<b>(503)</b>	<b>(74,854)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(184,535)</b>	<b>(825,528)</b>
Employee expenses	202,447		3,588					206,035
Other service expenses	557,545		29,631					587,176
Support service recharges								-
Depreciation, amortisation and impairment			12,648					12,648
Interest payments								-
Precepts and levies								-
Payments to Housing Capital Receipts Pool			10,130					10,130
Gain or loss on disposal on Fixed Assets							(5,164)	(5,164)
Housing benefit paid								-
<b>Total Expenditure</b>	<b>759,992</b>	<b>-</b>	<b>55,997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,164)</b>	<b>810,825</b>
<b>Surplus or deficit on the provision of services</b>	<b>194,356</b>	<b>(503)</b>	<b>(18,857)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,699)</b>	<b>(14,703)</b>
<b>Housing Revenue Account</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supervision, Management & Maintenance								
Repairs & Maintenance	27,010							27,010
General Management	30,227		383					30,610
Special Services	13,018							13,018
Cost of Rent Rebates	3,322							3,322
Capital Financing Costs	40,788			(34,356)				6,432
Other Expenses	731		(92,755)					(92,024)
HRA Subsidy Payable	22,574							22,574
<b>Total Expenditure</b>	<b>137,670</b>	<b>-</b>	<b>(92,372)</b>	<b>(34,356)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,942</b>
Gross Rents - Dwellings	(110,271)							(110,271)
Gross Rents - Non-Dwellings	(3,744)							(3,744)
Leaseholder Service Charges	-							-
Appropriation from Reserve	(200)							(200)
Other Income	(25,572)						(31,876)	(57,448)
<b>Total Income</b>	<b>(139,787)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,876)</b>	<b>(171,663)</b>
<b>Net Expenditure</b>	<b>(2,117)</b>	<b>-</b>	<b>(92,372)</b>	<b>(34,356)</b>	<b>-</b>	<b>-</b>	<b>(31,876)</b>	<b>(160,721)</b>

## 28. Trading Operations

The following activities operate on a trading account basis:

	<u>Notes</u>	<u>Turnover</u> <u>2014/15</u> £'000	<u>Surplus/</u> <u>(Deficit)</u> <u>2014/15</u> £'000	<u>Turnover</u> <u>2013/14</u> £'000	<u>Surplus/</u> <u>(Deficit)</u> <u>2013/14</u> £'000
Building Maintenance	(i)	7,955	27	9,007	470
Transport Operations	(ii)	4,736	84	5,028	(320)
Engineering Services	(iii)	8,214	160	6,996	182
Building Control		1,350	(63)	1,233	34
Design Service		2,552	26	2,769	107
Street Trading		252	(40)	205	2
Land Charges	(iv)	517	41	694	115
<b>Adult care providers</b>	(v)				
Learning Disability Complex Needs		3,264	192	2,957	(87)
		<b>28,840</b>	<b>427</b>	<b>28,889</b>	<b>503</b>

During the year, trading accounts incurred a net surplus of £427,000 (£503,000 surplus in 2013/14), £78,000 of which was credited to revenue accounts (none in 2013/14), and the net surpluses of £349,000 were carried forward (£503,000 in 2013/14).

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

- (v) Adult Care providers are the Council's in-house services, which supplement the services commissioned from external providers that are required for people with learning and physical disabilities. The main in-house service for people with learning disabilities and physical disabilities is a day care service that can provide appropriate care and support for both those with highly complex needs, and for those adults who need less intensive care but still require support to help them stay safe and lead active lives.

The Adult Care provider trading accounts incurred an in-year surplus of £192,000 and brought forward surplus on these accounts was £40,000. Of the closing net surplus, £78,000 was written-back to revenue and £154,000 was carried forward.

## 29. Pooled Budgets

### Pooled Fund Schemes

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

During 2014/15 the Council continued to operate the Integrated Community Equipment pooled budget with Health organisations and the agreement with South West London and St George's Mental Health Trust for a mental health staffing budget.

The Council also entered into new partnership agreements in 2014/15 under S75 of the NHS Act 2006 in relation to the Better Care Fund.

### Integrated Community Equipment Service

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

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
<b>Funding</b>		
St Georges Healthcare NHS Trust	1,085	1,175
Wandsworth Borough Council	464	638
	<u>1,549</u>	<u>1,813</u>
<b>Expenditure</b>		
St Georges Healthcare NHS Trust	1,085	1,175
Wandsworth Borough Council	561	601
	<u>1,646</u>	<u>1,776</u>
<b>Net (deficit)/surplus</b>	<u>(97)</u>	<u>37</u>

In 2014/15 the Council had a deficit of £97,000 (£37,000 surplus in 2013/14) and St Georges Healthcare had a breakeven year-end position (breakeven in 2013/14).

**Mental Health Staffing**

In January 2014 the Council entered into a pooled budget agreement with South West London & St Georges Mental Health Trust for the mental health staffing budget. This pooled budget is managed by Mental Health Trust. The funding and expenditure for the Council is shown in the Council accounts and the funding and expenditure for the Trust similarly is shown in the Trust accounts.

	<u>2014/15</u> £'000	<u>2013/14</u> £'000 (Part Year)
<b>Funding</b>		
South West London & St Georges Mental Health	3,392	843
Wandsworth Borough Council	1,440	357
	<u>4,832</u>	<u>1,200</u>
<b>Expenditure</b>		
South West London & St Georges Mental Health	3,422	887
Wandsworth Borough Council	1,462	377
	<u>4,884</u>	<u>1,264</u>
<b>Net deficit</b>	<u>52</u>	<u>64</u>

Of the net deficit of £52,000 (£64,000 deficit in 2013/14), £22,000 falls to the Council (£20,000 deficit in 2013/14) and £30,000 falls to South West London & St Georges (£44,000 deficit in 2013/14).

### Better Care Fund

The Council and Wandsworth CCG entered into a partnership agreement in 2014/15 under S75 of the NHS Act 2006. The agreement created two pooled budget arrangements. The Council is the host for the first covering Carers Support Services. The second which covers Falls Prevention and Bone Health is hosted by the CCG.

<b>Carers Pooled Budget (Council hosted)</b>	<b><u>2014/15</u></b>
	<b>£</b>
<b>Funding</b>	
Wandsworth CCG	<b>381,000</b>
Wandsworth Borough Council	<b>390,022</b>
	<b><u>771,022</u></b>
<b>Expenditure</b>	
Wandsworth CCG	<b>381,643</b>
Wandsworth Borough Council	<b>385,243</b>
	<b><u>766,886</u></b>
<b>Net surplus</b>	<b><u><u>4,136</u></u></b>

The surplus is split in relation to the funding of services with a deficit of £643 due from the CCG and a surplus of £4,779 due to the Council.

<b>Falls Prevention Pooled Budget (CCG hosted)</b>	<b><u>2014/15</u></b>
	<b>£</b>
<b>Funding</b>	
Wandsworth CCG	<b>507,109</b>
Wandsworth Borough Council	<b>362,653</b>
	<b><u>869,762</u></b>
<b>Expenditure</b>	
Wandsworth CCG	<b>507,109</b>
Wandsworth Borough Council	<b>362,653</b>
	<b><u>869,762</u></b>
<b>Net surplus</b>	<b><u><u>-</u></u></b>

**30. Members' Allowances**

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

	<u>2014/15</u>	<u>2013/14</u>
	£	£
Allowances	<b>1,006,380</b>	1,081,036
Expenses	<b>332</b>	1,280
<b>Total</b>	<b><u>1,006,712</u></b>	<b><u>1,082,316</u></b>

### 31. Officers' Remuneration and Exit Packages

The tables set out the remuneration disclosures for Senior Officers whose salary is £50,000 or more per year, and an analysis of exit packages paid during the year. Senior Officers whose remuneration exceeded £100,000 are named.

Senior, non school-based, Council staff remuneration is market-related and is revised annually using comparative information supplied by Hay Group management consultants. Salary progression for those staff is totally determined by performance level and there is no automatic incremental progression. The latest review undertaken by Hay Group and reported in October 2014 revised the remuneration of Chief Officers to reflect the upper quartile of the Public & Not for profit sector in London.

	<u>2014/15</u>		<u>2013/14</u>			<u>2014/15</u>		<u>2013/14</u>	
	<u>Officers</u>	<u>Teachers</u>	<u>Officers</u>	<u>Teachers</u>		<u>Officers</u>	<u>Teachers</u>	<u>Officers</u>	<u>Teachers</u>
(£)	No.	No.	No.	No.	(£)	No.	No.	No.	No.
50,000 - 54,999	50	126	52	129	140,000 - 144,999	-	-	2	-
55,000 - 59,999	60	59	61	55	145,000 - 149,999	1	-	1	-
60,000 - 64,999	29	35	39	36	150,000 - 154,999	2	-	1	-
65,000 - 69,999	14	18	17	10	155,000 - 159,999	-	-	-	-
70,000 - 74,999	13	14	17	21	160,000 - 164,999	1	-	-	-
75,000 - 79,999	9	18	7	19	165,000 - 169,999	-	-	1	-
80,000 - 84,999	14	12	15	8	170,000 - 174,999	-	-	-	-
85,000 - 89,999	9	1	8	3	175,000 - 179,999	1	-	1	-
90,000 - 94,999	4	4	5	2	180,000 - 184,999	2	-	-	-
95,000 - 99,999	2	2	3	3	185,000 - 209,999	-	-	-	-
100,000 - 104,999	6	-	4	1	210,000 - 214,999	1	-	1	-
105,000 - 109,999	4	2	3	2	215,000 - 229,999	-	-	-	-
110,000 - 114,999	5	-	2	1	230,000 - 234,999	-	-	1	-
115,000 - 119,999	2	1	2	1	235,000 - 239,999	1	-	1	-
120,000 - 124,999	1	1	3	1	240,000 - 289,999	-	-	-	-
125,000 - 129,999	3	-	3	1	290,000 - 294,999	-	-	1	-
130,000 - 134,999	1	1	-	-	295,000 - 314,999	-	-	-	-
135,000 - 139,999	1	-	3	-	315,000 - 319,999	-	-	1	-

Exit Packages		<u>Number of Compulsory redundancies</u>		<u>Number of other departures agreed</u>		<u>Total number of exit packages by cost band</u>		<u>Total cost of exit packages in each band</u>	
		<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>
	<u>(£)</u>							<u>(£)</u>	<u>(£)</u>
0 - 20,000	Council Officers	<b>53</b>	38	<b>22</b>	22	<b>75</b>	60	<b>771,837</b>	436,013
	Schools	<b>17</b>	27	<b>12</b>	14	<b>29</b>	41	<b>150,795</b>	182,727
20,001 - 50,000	Council Officers	<b>16</b>	11	<b>16</b>	10	<b>32</b>	21	<b>1,004,944</b>	594,237
	Schools	<b>1</b>	1	<b>1</b>	3	<b>2</b>	4	<b>48,550</b>	118,209
50,001 - 70,000	Council Officers	-	1	<b>2</b>	2	<b>2</b>	3	<b>109,341</b>	174,417
	Schools	-	-	-	-	-	-	-	-
70,001 - 90,000	Council Officers	-	-	<b>3</b>	-	<b>3</b>	-	<b>231,804</b>	-
	Schools	-	-	-	-	-	-	-	-
90,001 - 110,000	Council Officers	<b>1</b>	1	<b>1</b>	-	<b>2</b>	1	<b>197,036</b>	96,091
	Schools	-	-	-	-	-	-	-	-
110,001 - 160,000	Council Officers	<b>1</b>	3	<b>1</b>	-	<b>2</b>	3	<b>253,187</b>	410,826
	Schools	-	-	-	-	-	-	-	-
<b>Total</b>		<b>89</b>	82	<b>58</b>	51	<b>147</b>	133	<b>2,767,494</b>	2,012,520

<b><u>2014/15</u></b>	<b><u>Note</u></b>	<b><u>Salary (including fees and allowances)</u></b>	<b><u>Bonuses</u></b>	<b><u>Expense Allowances - Medical Insurance</u></b>	<b><u>Compensation for loss of office</u></b>	<b><u>Remuneration excluding pension contributions 2014/15</u></b>	<b><u>Employers pension contribution</u></b>	<b><u>Remuneration including pension contributions 2014/15</u></b>
<b><u>Post Holder</u></b>		<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>
Chief Executive and Director of Administration - Mr. D. P. Martin	1	220,792	15,631	2,655	-	<b>239,078</b>	45,425	<b>284,503</b>
Director of Finance and Deputy Chief Executive - Mr. C. J. Buss	2	193,842	14,007	3,330	-	<b>211,179</b>	40,124	<b>251,303</b>
Director of Education and Social Services - Ms D. L. Warwick		165,277	15,033	1,160	-	<b>181,470</b>	34,436	<b>215,906</b>
Director of Housing and Community Services - Mr. B. L. Reilly		148,812	11,744	2,556	-	<b>163,112</b>	30,991	<b>194,103</b>
Deputy Director of Administration (Professional Services) - Mr. S. G. Mayner	3	33,572	15,187	837	128,230	<b>177,826</b>	9,423	<b>187,249</b>
Director of Environment and Community Services - Mr. A. G. McDonald	4	40,080	16,575	926	124,957	<b>182,538</b>	2,504	<b>185,042</b>
Borough Solicitor and Assistant Director of Administration - Mr. M. B. A. Walker		139,083	10,231	3,457	-	<b>152,771</b>	29,027	<b>181,798</b>
Assistant Director of Environment and Community Services - Mr. P. M. McCue	5	132,533	11,766	3,101	-	<b>147,400</b>	28,006	<b>175,406</b>
Assistant Director (Engineering Services) - Mr. R. J. Langridge	6	33,562	14,256	692	105,942	<b>154,452</b>	8,872	<b>163,324</b>
Head of IT and Business Communications - Mr. D. R. Tidey		121,227	10,534	2,747	-	<b>134,508</b>	25,556	<b>160,064</b>
Assistant Director of Children's Services (Standards and Schools) - Mr. J. A. Johnson		117,280	9,530	2,664	-	<b>129,474</b>	24,600	<b>154,074</b>
Deputy Director of Housing and Community Services - Mr. K. J. Power		118,586	8,651	950	-	<b>128,187</b>	24,356	<b>152,543</b>
Assistant Director, Planning & Resources - Ms. S Harty	7	52,013	11,926	412	74,000	<b>138,351</b>	11,837	<b>150,188</b>
Nine Elms Programme Director - Ms. H. Fisher		115,825	9,215	-	-	<b>125,040</b>	23,758	<b>148,798</b>
Assistant Director Older People and SPD - Mr. R. W. Persey		106,359	8,885	2,466	-	<b>117,710</b>	22,365	<b>140,075</b>
Assistant Director of Adult Social Services - Mr. A. D. Rush		105,259	9,443	-	-	<b>114,702</b>	21,793	<b>136,495</b>
Assistant Director, Young People and Learning - Mr. E. S. Dunkling		105,875	8,248	-	-	<b>114,123</b>	21,683	<b>135,806</b>
Assistant Director (Operations) - Mr. K. Stevens		102,484	9,386	1,697	-	<b>113,567</b>	21,578	<b>135,145</b>
Head of Revenue Services - Mr. K. Legg		103,148	8,890	-	-	<b>112,038</b>	21,287	<b>133,325</b>
SEN Reform Project Development Manager - Ms. E. Malcolm		104,431	5,998	-	-	<b>110,429</b>	20,954	<b>131,383</b>

**2014/15 Continued**

<b><u>Post Holder</u></b>	<b><u>Note</u></b>	<b><u>Salary (including fees and allowances)</u></b>	<b><u>Bonuses</u></b>	<b><u>Expense Allowances - Medical Insurance</u></b>	<b><u>Compensation for loss of office</u></b>	<b><u>Remuneration excluding pension contributions 2014/15</u></b>	<b><u>Employers pension contribution</u></b>	<b><u>Remuneration including pension contributions 2014/15</u></b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Head of Housing Management - Mr. I. Stewart		98,635	7,275	1,355	-	<b>107,265</b>	20,381	<b>127,646</b>
Head of Finance & Support Services - Mr. S. Gray	8	21,265	8,673	-	91,095	<b>121,033</b>	5,688	<b>126,721</b>
Head of Pensions, Payments & Support - Mr. R. Claxton		95,161	8,314	2,747	-	<b>106,222</b>	20,182	<b>126,404</b>
Assistant Director (Customer Service and Service Transformation) - Ms. K. Watson		92,939	8,294	2,466	-	<b>103,699</b>	19,703	<b>123,402</b>
Assistant Director (Housing Services) - Mr. D. Worth		94,243	7,259	1,845	-	<b>103,347</b>	19,636	<b>122,983</b>
Assistant Director (Planning and Development) - Mr. T. Cronin		92,523	7,859	1,900	-	<b>102,282</b>	19,433	<b>121,715</b>
Economic Development Officer - Mr. N. Smales		93,855	7,892	-	-	<b>101,747</b>	19,332	<b>121,079</b>
Director of Public Health - Dr. H. Al Sharifi		97,520	4,876	-	-	<b>102,396</b>	13,653	<b>116,049</b>
Head of Technical and Programming - Mr. A. A. Pike	9	17,768	9,902	227	81,187	<b>109,084</b>	5,300	<b>114,384</b>
Development Officer PHSE & Healthy Schools - Ms. L. King	10	53,497	4,246	-	45,524	<b>103,267</b>	10,970	<b>114,237</b>
Assistant Director (Planning and Environmental Services) - Ms S. Manchanda	11	28,893	-	-	76,617	<b>105,510</b>	3,635	<b>109,145</b>

Note 1 - This officer's remuneration includes an annual amount of £5,990 in respect of his role on the Western Riverside Waste Authority.

Note 2 - This officer's remuneration includes an annual amount of £6,051 in respect of his role on the Western Riverside Waste Authority.

Note 3 - This officer left the Council on 30th June 2014. The annualised remuneration prior to him leaving was £134,287.

Note 4 - This officer left the Council on 30th June 2014. The annualised remuneration prior to him leaving was £147,725.

Note 5 - This officer's remuneration includes an annual amount of £3,937 in respect of his role on the North East Surrey Crematorium Board.

Note 6 - This officer left the Council on 30th June 2014. The annualised remuneration prior to him leaving was £123,211.

Note 7 - This officer left the Council on 30th September 2014. The annualised remuneration prior to her leaving was £97,287.

Note 8 - This officer left the Council on 30th June 2014. The annualised remuneration prior to him leaving was £83,185.

Note 9 - This officer left the Council on 1st June 2014. The annualised remuneration prior to him leaving was £101,555.

Note 10 - This officer left the Council on 31st March 2015.

Note 11 - This officer left the Council on 31st May 2014. The annualised remuneration prior to her leaving was £114,803.

<b><u>2013/14</u></b>	<b><u>Note</u></b>	<b><u>Salary (including fees and allowances)</u></b>	<b><u>Bonuses</u></b>	<b><u>Expense Allowances - Medical Insurance</u></b>	<b><u>Compensation for loss of office</u></b>	<b><u>Remuneration excluding pension contributions 2012/13</u></b>	<b><u>Employers pension contribution</u></b>	<b><u>Remuneration including pension contributions 2012/13</u></b>
<b><u>Post Holder</u></b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Director of Childrens' Services - Mr. P. A. Robinson	1	164,461	15,054	3,198	137,040	<b>319,753</b>	34,699	<b>354,452</b>
Director of Housing - Mr. R. Evans	2	117,138	21,824	2,184	152,182	<b>293,328</b>	26,641	<b>319,969</b>
Chief Executive and Director of Administration - Mr. D. P. Martin	3	215,696	19,080	2,375	-	<b>237,151</b>	45,059	<b>282,210</b>
Deputy Director of Childrens' Services - Ms M. E. Evans	1	125,671	9,456	1,279	96,092	<b>232,498</b>	25,917	<b>258,415</b>
Director of Finance and Deputy Chief Executive - Mr. C. J. Buss	4	192,232	17,040	3,021	-	<b>212,293</b>	40,335	<b>252,628</b>
Director of Adult Social Services - Ms D. L. Warwick		161,643	14,436	1,077	-	<b>177,156</b>	33,659	<b>210,815</b>
Director of Environment and Community Services - Mr. A. G. McDonald	5	151,056	12,658	3,363	-	<b>167,077</b>	30,114	<b>197,191</b>
Borough Solicitor - Mr. M. B. A. Walker		138,344	10,510	3,099	-	<b>151,953</b>	28,871	<b>180,824</b>
Deputy Director of Administration (Professional Services) - Mr. S. G. Mayner		134,287	11,396	3,099	-	<b>148,782</b>	28,269	<b>177,051</b>
Deputy Director of Housing - Mr. B. L. Reilly	6	130,775	11,089	2,271	-	<b>144,135</b>	27,386	<b>171,521</b>
Assistant Director of Environment and Community Services - Mr. P. M. McCue		127,893	11,143	2,864	-	<b>141,900</b>	26,961	<b>168,861</b>
Assistant Director (Engineering Services) - Mr. R. J. Langridge		123,211	10,545	2,558	-	<b>136,314</b>	25,900	<b>162,214</b>
Assistant Director, Children's Specialist Services - Mr. M. Benaim	1	128,459	7,338	-	-	<b>135,797</b>	22,571	<b>158,368</b>
Head of IT and Business Communications - Mr. D. R. Tidey		117,050	9,907	2,483	-	<b>129,440</b>	24,593	<b>154,033</b>
Borough Valuer and Estates Surveyor - Mr. G. R. Clark	1	104,060	17,980	3,680	-	<b>125,720</b>	23,676	<b>149,396</b>
Assistant Director - Operational Services - Mr. K. J. Power		114,971	9,135	848	-	<b>124,954</b>	23,742	<b>148,696</b>
Assistant Director of Children's Services (Standards and Schools) - Mr. J. A. Johnson		113,457	8,967	2,417	-	<b>124,841</b>	23,720	<b>148,561</b>
Nine Elms Programme Director - Ms. H. Fisher		115,192	8,976	-	-	<b>124,168</b>	23,592	<b>147,760</b>
Assistant Director (Planning and Environmental Services) - Ms S. Manchanda		114,038	5,480	-	-	<b>119,518</b>	22,708	<b>142,226</b>

**2013/14 Continued**

<b><u>Post Holder</u></b>	<b><u>Note</u></b>	<b><u>Salary (including fees and allowances)</u></b>	<b><u>Bonuses</u></b>	<b><u>Expense Allowances - Medical Insurance</u></b>	<b><u>Compensation for loss of office</u></b>	<b><u>Remuneration excluding pension contributions 2012/13</u></b>	<b><u>Employers pension contribution</u></b>	<b><u>Remuneration including pension contributions 2012/13</u></b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Head of Curriculum Development - Mr. T. Willetts	1	60,981	3,426	-	65,020	<b>129,427</b>	12,177	<b>141,604</b>
Assistant Director Older People and SPD - Mr. R. W. Persey		105,777	9,321	2,183	-	<b>117,281</b>	22,283	<b>139,564</b>
Assistant Director of Administration (Support and Democratic Services) - Mr. P. Watson	7	2,842	11,402	87	121,603	<b>135,934</b>	2,723	<b>138,657</b>
Head of Technical and Programming - Mr. A. A. Pike		101,555	8,216	1,240	-	<b>111,011</b>	21,092	<b>132,103</b>
Assistant Director of Adult Social Services - Mr. A. D. Rush		101,537	8,784	-	-	<b>110,321</b>	20,961	<b>131,282</b>
Assistant Director (Operations) - Mr. K. Stevens		98,796	8,455	1,533	-	<b>108,784</b>	20,669	<b>129,453</b>
Head of Revenue Services - Mr. K. Legg		100,451	8,033	-	-	<b>108,484</b>	20,612	<b>129,096</b>
Assistant Director, Young People and Learning - Mr. E. S. Dunkling		100,589	7,571	-	-	<b>108,160</b>	20,550	<b>128,710</b>
Assistant Director, Planning & Resources - Ms. S Harty		97,287	6,681	755	-	<b>104,723</b>	19,898	<b>124,621</b>
Head of Pensions, Payments & Support - Mr. R. Claxton		91,883	7,776	2,483	-	<b>102,142</b>	19,407	<b>121,549</b>
Head of Housing Management - Mr. I. Stewart		91,511	7,060	1,615	-	<b>100,186</b>	19,036	<b>119,222</b>
Director of Public Health - Dr. H. Al Sharifi		97,519	4,828	-	-	<b>102,347</b>	14,329	<b>116,676</b>

Note 1 - These officers left the Council on 31st March 2014.

Note 2 - This officer left the Council on 15th December 2013. The annualised remuneration prior to him leaving was £182,590.

Note 3 - This officer's remuneration includes an annual amount of £7,289 in respect of his role on the Western Riverside Waste Authority.

Note 4 - This officer's remuneration includes an annual amount of £5,468 in respect of his role on the Western Riverside Waste Authority.

Note 5 - This officer's remuneration includes an annual amount of £5,249 in respect of his role on the North East Surrey Crematorium Board.

Note 6 - This officer is the Director Designate of the Housing & Community Services Directorate.

Note 7 - This officer left the Council on 8th April 2013. The annualised remuneration prior to him leaving was £140,590.

**32. External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors (PricewaterhouseCoopers LLP):

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	177	161
Rebate from the Audit Commission in respect of external audit services carried out by the appointed auditors	(17)	(23)
Fees payable to the Audit Commission in respect of statutory inspection	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns, by the appointed auditors	33	53
Fees payable in respect of other services provided by the appointed auditors	9	-
Fees payable to the Audit Commission in respect of the National Fraud Initiative	4	3
<b>Total</b>	<u><u>206</u></u>	<u><u>194</u></u>

The costs above relate to the billing of the external audit costs. The costs as applied to each financial year is £152k for the audit of the main Council financial statements (2013/14: £152k), £24k for the audit of the pension fund financial statements (2013/14: £24k), £29k for the certification of claims and returns (2013/14: £33k), and £9k for other services (2013/14: £9k).

**33. Dedicated Schools Grant****Disclosure of Deployment of Dedicated Schools Grant 2014/15**

	<b>2014/15</b>		<b>Total</b>
	<b>Central</b>	<b>ISB</b>	
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Final DSG for 2014/15 before Academy recoupment			195,451
Academy figure recouped for 2014/15			(37,775)
Total DSG after Academy recoupment for 2014/15			157,676
Brought forward from 2013/14			9,273
Carry-forward to 2015/16 agreed in advance			(506)
Agreed initial budgeted distribution in 2014/15	34,856	131,587	166,443
In year adjustments	182	-	182
Final budgeted distribution in 2014/15	35,038	131,587	166,625
Less Actual central expenditure	(29,458)	-	(29,458)
Less Actual ISB deployed to schools	-	(131,587)	(131,587)
Plus Local authority contribution for 2014/15	-	-	-
<b>Carry-forward to 2015/16</b>	<b>5,580</b>	<b>-</b>	<b>6,086</b>

The Council's expenditure on schools is largely funded by grant monies provided by the Department for Education - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. The Council is able to supplement the Schools Budget from its own resources but no supplement was made in 2014/15.

Education balances, including Dedicated Schools Grant (DSG) and school loan expenditure amounted to £29.302 million at 31st March 2015, compared with £29.175 million a year earlier. Individual school balance surpluses at 31st March 2015 ranged from a surplus of £3,618 to a surplus of £1,633,936. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

**Education Balances**

	<b>2014/15</b>	<b>Movement</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Individual School Balances	<b>23,285</b>	3,384	19,901
School Loans	<b>(448)</b>	51	(499)
Non-Delegated	<b>6,465</b>	(3,308)	9,773
<b>Total</b>	<b>29,302</b>	127	29,175

**34. Grant Income**

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
<b>Credited to Taxation and Non Specific Grant</b>		
Revenue Support Grant	78,451	97,054
Non Specific Revenue Grants	12,181	10,801
Capital Grants and Contributions	94,828	53,788
National Non-Domestic Rates Top Up Grant	35,053	34,383
<b>Total</b>	<b><u>220,513</u></b>	<b><u>196,026</u></b>
<b>Credited to Services</b>		
Dedicated Schools Grant	157,676	163,762
Rent Allowance Subsidy	124,518	126,793
Rent Rebate Subsidy	74,279	73,764
Public Health Grant	25,431	24,738
Education Standards Fund	9,275	7,462
6th Form Funding	5,534	6,177
Non-HRA Rent Rebate Subsidy	5,448	3,261
Adult Education	2,837	2,957
Housing Benefit Admin Subsidy	2,209	2,673
DHP Subsidy	1,481	1,381
Universal Infant Free School Meals Grant	1,326	-
Weekly Collection Support Scheme	1,193	1,193
Local Social Fund Grant	1,111	931
SEN Reform Grant	835	-
Localising Council Tax Support	577	-
Youth Justice Board - Youth Offending Team	544	529
NNDR Cost of Collection Allowance	477	500
Troubled Families	468	352
Asylum Seekers	305	201
Learning Disabilities & Health Reform Grant	234	230
NEET Grant	181	462
Local Services Support Grant	162	166
Children's Workforce Development Council	-	269
Welfare Reform Grant	-	245
Other	3,532	1,872
	<b><u>419,633</u></b>	<b><u>419,918</u></b>

**Capital Grants Receipts in Advance**

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

	<u><b>31st March 2015</b></u>	<u>31st March 2014</u>
	<b>£'000</b>	£'000
Building Schools for the Future	<b>2,396</b>	3,927
Devolved (Formula Capital for Schools)	<b>1,196</b>	1,226
School Contributions	-	-
Free Schools	<b>1,676</b>	2,662
Improvements to Putney Bridge	-	1,050
Other	<b>1,803</b>	949
<b>Total</b>	<b><u>7,071</u></b>	<u>9,814</u>

## **35. Related Parties**

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

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

This disclosure note has been prepared based on declarations made by Members and Chief Officers in respect of related party transactions, and using the Council's register of Members' declarations of interest. At the time of preparing the Statement of Accounts for certification, declarations had not been received from three former Councillors who are no longer readily contactable.

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

### **Central Government**

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

### **Pension Fund**

The Council charged the Pension Fund £676,081 for expenses incurred in administering the Fund in 2014/15, £25,000 was paid by the Pension Fund to London Councils towards the start up costs of London LGPS CIV Ltd, of which Mr. C Buss (Director of Finance) was a director.

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

The Board was composed of 11 councillors of three London borough councils: Merton, Sutton and Wandsworth. Councillors Mrs C Clay, Ms. S Ephson, Ms. C Jones, Mr. P McCausland and Mr. M Ryder were appointed by the Council. Mrs JM Stevenson (Deputy Chief Accountant) was Treasurer to the Board. Mr. PM McCue (Assistant Director of Environment and Community Services) was Surveyor to the Board. Mr. P Guillioti (Head of Audit) was Auditor to the Board. The Board has regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf, resulting in £10,264 owed to the Council at the year-end. At the year-end the Council had a £1,085,000 7-day notice loan outstanding from the Board, making interest payments on similar loans of £1,919 during the year.

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

The Authority was composed of eight members from four London borough councils: Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors Mr. J Cook and Mr. G Senior were appointed by the Council. Mr. P Martin (Chief Executive) was Clerk to the Authority. Mr. C Buss (Director of Finance) was Treasurer to the Authority. Mr. P Guillioti (Assistant Director - Financial Services) was Auditor to the Authority. Ms K Burston was Deputy Treasurer to the Authority. During the year there were refuse disposal charges of £11,222,048 levy payments of £2,226,812, and non-domestic waste charges of £61,003 to the WRWA.

### **Greater London Authority**

The Greater London Authority (GLA) has responsibility for Transport for London, London Development Agency, Metropolitan Police Authority and the London Fire and Emergency Planning Authority (LFEPA). Councillor Mr. M Heaster was a member of the LFEPA. Collection Fund payments were made to the GLA of £59,015,211. Grant and reimbursement income of £3,961,679 was received from Transport for London.

### **London Councils Grants Committee**

The Committee was composed of 33 members from London borough councils and the Corporation of London. Councillor Mr. J Maddan was appointed by the Council. During the year payments totalling £304,289 were made to the Committee.

### **London Councils**

London Councils is formed largely of members from the London borough councils. Councillor Mr. R Govindia represents Wandsworth Council on the Leadership Committee of London Councils and Councillor Mrs C Usher represents the council on the Transport and Environment Committee. During the year, subscriptions totalling £162,427 were paid by the Council.

### **Local Government Association**

The Local Government Association (LGA) is an organisation that works on behalf of councils in representations to national government. In total, 414 local authorities were members of the LGA for 2014/15. Councillor Mr. M Heaster was the Employer's Side Chairman on the National Joint Council for Firefighters Pay and Conditions during 2014/15. The Council made payments of £50,651 to the LGA in 2014/15.

### **Wandle Valley Regional Park**

The Wandle Valley Regional Park Trust was constituted as a Limited Company in July 2012. The Board is comprised of 16 Trustees/Directors, 50% nominated by Croydon, Merton, Sutton and Wandsworth Councils, and 50% by partner organisations. The Council nominated Councillors Mr. C Lescott and Mrs S McDermott as representatives on the Trust's Board. During 2014/15, the Council made payments of £14,465 to the Trust.

### **Members**

Members of the Council have direct influence over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 30. During the year, works and services to the value of £1,032,807 were commissioned from companies, voluntary and similar organisations in which 6 members declared an interest. Contracts were entered into in full compliance with the Council's standing orders.

### 36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
<b>Opening Capital Financing Requirement</b>	<b>414,774</b>	449,129
<b>Capital investment</b>		
Property, Plant and Equipment	60,031	41,692
Investment Properties	1,366	605
Intangible Assets	50	33
Revenue Expenditure Funded from Capital under Statute	58,238	44,499
<b>Sources of finance</b>		
Capital receipts	(44,665)	(36,278)
Government grants and other contributions	(71,245)	(50,027)
Sums set aside from revenue	(34)	(524)
Direct revenue contributions	-	-
Minimum Revenue Provision (HRA)	(34,356)	(34,355)
<b>Closing Capital Financing Requirement</b>	<b>384,159</b>	414,774
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	3,741	-
Decrease in underlying need to borrowing (unsupported by government financial assistance)	(34,356)	(34,355)
Assets acquired under finance leases	-	-
Assets acquired under PF/PPP contracts	-	-
<b>(Decrease)/increase in Capital Financing Requirement</b>	<b>(30,615)</b>	(34,355)

**37. Leases****Authority as Lessee****Operating Leases**

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

	<u>2015/16</u> £'000	<u>2014/15</u> £'000
Not later than 1 year	305	292
Later than 1 year and not later than 5 years	2,154	1,450
Later than 5 years	36	36
<b>Total payments</b>	<u><u>2,495</u></u>	<u><u>1,778</u></u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2,481,000 and the outstanding undischarged obligations are estimated to be £8.0 million.

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Vehicles	-	69
Office equipment	-	8
Land and Buildings	2,481	2,034
<b>Total</b>	<u><u>2,481</u></u>	<u><u>2,111</u></u>

**Authority as Lessor**

Assets valued at £56.7 million (£55.2 million in 2013/14) are held for use in operating leases, for which rent of £3.9 million was receivable during 2014/15 (£3.6 million in 2013/14). These assets are investment properties which are not subject to depreciation.

## **38. Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

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

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

The teachers' scheme is unfunded and administered by Teachers' Pensions, part of the Capita Group. The pension cost charged to the accounts is the contribution rate set by the Department for Education on the basis of a notional fund.

Some statutorily transferred staff are members of the London Pension Fund Authority (LPFA) Scheme, administered under the Local Government Pension Scheme Regulations.

Other employees, subject to certain qualifying criteria, are eligible to join the Council's own funded scheme also administered under the Local Government Pension Scheme Regulations.

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

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

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

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

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<u>Year to 31st March 2015</u>			<u>Year to 31st March 2014</u>		
	<u>Council</u>	<u>LPFA</u>	<u>Total</u>	<u>Council</u>	<u>LPFA</u>	<u>Total</u>
<b><i>Comprehensive Income and Expenditure Statement</i></b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
<i>Cost of services:</i>						
Current service cost	<b>28,500</b>	<b>396</b>	<b>28,896</b>	26,682	503	27,185
Past service costs including Settlements and curtailments	<b>2,537</b>	-	<b>2,537</b>	857	-	857
<i>Financing and Investment Income and Expenditure</i>						
Net Settlements	<b>(1,373)</b>	-	<b>(1,373)</b>	-	-	-
Net interest expense	<b>10,812</b>	<b>303</b>	<b>11,115</b>	7,954	647	8,601
Administration expenses	<b>715</b>	<b>94</b>	<b>809</b>	639	73	712
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<b>41,191</b>	<b>793</b>	<b>41,984</b>	36,132	1,223	37,355
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
Remeasurement of the net defined benefit liability comprising:						
- Return on plan assets (excluding the amount included in the net interest expense)	<b>105,300</b>	<b>1,499</b>	<b>106,799</b>	36,558	(10)	36,548
- Other actuarial gains/(losses) on assets	-	-	-	(1,604)	14,550	12,946
- Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	(21,499)	(753)	(22,252)
- Actuarial gains and losses arising on changes in financial assumptions	<b>(168,385)</b>	<b>(8,243)</b>	<b>(176,628)</b>	(2,121)	4,164	2,043
- Other	<b>395</b>	<b>(1)</b>	<b>394</b>	(55,708)	(6,515)	(62,223)
<i>Total post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	<b>(62,690)</b>	<b>(6,745)</b>	<b>(69,435)</b>	(44,374)	11,436	(32,938)

***Movement in Reserves Statement***

Reversal of net charges made to surplus or deficit for the Provision of Services for post-employment benefits in accordance with the code <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	<b>(41,191)</b>	<b>(793)</b>	<b>(41,984)</b>	(36,132)	(1,223)	(37,355)
Employers' contributions payable to scheme	<b>23,795</b>	<b>683</b>	<b>24,478</b>	23,599	720	24,319

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

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

	<u>Council</u> <u>2014/15</u> £'000	<u>LPFA</u> <u>2014/15</u> £'000	<u>Total</u> <u>2014/15</u> £'000	<u>Council</u> <u>2013/14</u> £'000	<u>LPFA</u> <u>2013/14</u> £'000	<u>Total</u> <u>2013/14</u> £'000
Present value of the defined benefit obligation	1,510,812	78,843	1,589,655	1,302,477	70,335	1,372,812
Fair value of plan assets	1,172,880	64,595	1,237,475	1,044,631	62,942	1,107,573
Sub-total	337,932	14,248	352,180	257,846	7,393	265,239
Other movements in the liability (asset)	-	-	-	-	-	-
Net liability arising from the defined benefit obligation	337,932	14,248	352,180	257,846	7,393	265,239

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

	<u>Council</u> <u>2014/15</u> £'000	<u>LPFA</u> <u>2014/15</u> £'000	<u>Total</u> <u>2014/15</u> £'000	<u>Council</u> <u>2013/14</u> £'000	<u>LPFA</u> <u>2013/14</u> £'000	<u>Total</u> <u>2013/14</u> £'000
Opening fair value of scheme assets	1,044,631	62,942	1,107,573	980,059	48,847	1,028,906
Interest income	45,387	2,655	48,042	40,940	1,721	42,661
<i>Remeasurement gain/(loss):</i>						
- The return on plan assets, excluding the amount included in the net interest expense	105,300	1,499	106,799	36,558	(10)	36,548
- Other actuarial (losses)/gains	-	-	-	(1,604)	14,550	12,946
Administration expenses	(715)	(94)	(809)	(639)	(73)	(712)
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Contributions from employer	23,795	683	24,478	23,599	720	24,319
Contributions from employees into the scheme	8,357	93	8,450	8,081	100	8,181
Benefits paid	(49,879)	(3,183)	(53,062)	(42,363)	(2,913)	(45,276)
Settlement prices received/(paid)	(3,996)	-	(3,996)	-	-	-
<b>31st March</b>	<b>1,172,880</b>	<b>64,595</b>	<b>1,237,475</b>	<b>1,044,631</b>	<b>62,942</b>	<b>1,107,573</b>

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

	<u>Council</u>	<u>LPFA</u>	<u>Total</u>	<u>Council</u>	<u>LPFA</u>	<u>Total</u>
	<u>2014/15</u>	<u>2014/15</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2013/14</u>	<u>2013/14</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance on 1st April	1,302,477	70,335	1,372,812	1,180,998	67,172	1,248,170
Current service cost	28,500	396	28,896	26,682	503	27,185
Interest cost	56,199	2,958	59,157	48,894	2,369	51,263
Contributions from scheme participants	8,357	93	8,450	8,081	100	8,181
<i>Remeasurement (gains) and losses:</i>						
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	21,499	753	22,252
- Actuarial gains/losses arising from changes in financial assumptions	168,385	8,243	176,628	2,121	(4,164)	(2,043)
Experience loss/(gain) on defined benefit obligation	(395)	1	(394)	55,708	6,515	62,223
Liabilities assumed/(extinguished) on settlements	(5,369)	-	(5,369)	-	-	-
Estimated benefits paid net of transfers in	(48,735)	(3,180)	(51,915)	(41,524)	(2,910)	(44,434)
Past service costs, including curtailments	2,537	-	2,537	857	-	857
Unfunded pension payments	(1,144)	(3)	(1,147)	(839)	(3)	(842)
<b>Closing balance at 31st March</b>	<b>1,510,812</b>	<b>78,843</b>	<b>1,589,655</b>	<b>1,302,477</b>	<b>70,335</b>	<b>1,372,812</b>

**Local Government Pension Scheme assets comprised:**

	<u>Council</u>	<u>LPFA</u>	<u>Total</u>	<u>Council</u>	<u>LPFA</u>	<u>Total</u>
	<u>2014/15</u>	<u>2014/15</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2013/14</u>	<u>2013/14</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets						
Cash and cash equivalents	23,141	7,416	30,557	28,559	1,888	30,447
Bonds	164,719	-	164,719	146,117	-	146,117
Property	1,119	1,830	2,949	1,007	1,888	2,895
Equities	869,207	28,027	897,234	567,521	33,359	600,880
Other investment funds:						
Pooled investment vehicles	-	-	-	248,744	-	248,744
Gilts	114,694	-	114,694	51,696	-	51,696
Derivatives	-	-	-	987	-	987
LDI/Cashflow matching	-	4,848	4,848	-	3,777	3,777
Target Return Portfolio	-	18,673	18,673	-	18,883	18,883
Infrastructure	-	3,200	3,200	-	2,518	2,518
Commodities	-	601	601	-	629	629
<b>Total assets</b>	<b>1,172,880</b>	<b>64,595</b>	<b>1,237,475</b>	<b>1,044,631</b>	<b>62,942</b>	<b>1,107,573</b>

## Basis of Estimating Assets and Liabilities

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

The Council scheme and LPFA scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, based upon the latest triennial valuation, at 31st March 2013. The main assumptions used in the calculations are:

	<u>Council Fund</u>		<u>LPFA Fund</u>	
	<u>2014/15</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2013/14</u>
<b>Expected return on assets</b>				
For accounting periods from 1st January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.				
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	<b>23.8</b>	23.7	<b>21.4</b>	21.3
- Women	<b>25.2</b>	25.1	<b>24.6</b>	24.5
Longevity at 65 for future pensioners:				
- Men	<b>25.9</b>	25.8	<b>23.8</b>	23.6
- Women	<b>27.6</b>	27.4	<b>26.8</b>	26.7
Rate of inflation (RPI)	<b>3.2%</b>	3.6%	<b>3.0%</b>	3.5%
Rate of inflation (CPI)	<b>2.4%</b>	2.8%	<b>2.2%</b>	2.7%
Rate of increase in salaries	<b>4.2%</b>	4.6%	<b>4.0%</b>	4.5%
Rate of increase in pensions	<b>2.4%</b>	2.8%	<b>2.2%</b>	2.7%
Rate for discounting scheme liabilities	<b>3.3%</b>	4.4%	<b>3.0%</b>	4.3%
Take-up of option to convert annual pension into retirement lump sum	<b>50%</b>	50.0%	<b>50.0%</b>	50.0%

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

**Sensitivity Analysis**

## Impact on the Defined Benefit Obligation in the Scheme

	Council			LPFA		
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,484,613	1,510,812	1,537,498	77,741	78,843	79,961
Projected Service Cost	33,751	34,507	35,280	468	477	487
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,514,101	1,510,812	1,507,541	78,920	78,843	78,766
Projected Service Cost	34,523	34,507	34,490	477	477	477
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,534,419	1,510,812	1,487,630	79,892	78,843	77,808
Projected Service Cost	35,269	34,507	33,760	486	477	468
Adjustment to mortality age rating assumption	+ 1 Year	None	-1 Year	+ 1 Year	None	-1 Year
Present Value of Total Obligation	1,458,032	1,510,812	1,563,899	76,216	78,843	81,469
Projected Service Cost	33,335	34,507	35,685	462	477	492

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

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

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £337.9 million (excluding LPFA share) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £1,679 million. However, statutory arrangements for funding the deficit mean that the financial position remains healthy. The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to reduce the deficit recovery period from 20 to 17 years. Details are contained in Paper number 14-239 to the Pensions Committee and can be found on the Council's web site (<http://ww3.wandsworth.gov.uk/moderngov/ieDocHome.aspx>). Funding levels are reviewed on an annual basis. The next triennial valuation is due as at 31st March 2016.

### **39. Contingent Liabilities**

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

### **40. Contingent Assets**

The Council has no contingent assets.

### **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 payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

#### **Credit risk**

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

#### **Deposits**

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

#### For UK institutions only:

- (a) in relation to those institutions that were eligible for the Government's credit guarantee scheme:
  - (i) up to £50 million with UK institutions with a Fitch credit rating of at least F1+ short-term, AA- long-term, and a short-term outlook that is not negative, (or equivalent under Moody's or Standard and Poor's), and where generally no more than £30 million is placed for periods longer than 6 months; and

- (ii) up to £50 million with UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term outlook that is not negative, (or equivalent under Moody's or Standard and Poor's), and where generally no more than £15 million is placed for periods longer than 6 months;
- (b) up to £100 million with other UK local authorities or precepting authorities (subject to any investment in Scottish authorities maturing before the referendum on independence);
- (c) up to £40 million with UK institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), where generally no more than £20 million is placed for periods longer than 6 months;
- (d) up to £20 million for a maximum of 6 months with UK institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's);
- (e) up to £15 million with UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's);
- (f) up to £10 million for a maximum of 6 months with UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's);
- (g) up to £10 million with UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's);
- (h) up to £5 million for a maximum of 6 months with UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's); and
- (i) up to £5 million with UK institutions with a Fitch credit rating of at least F1 short-term, A long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's); and
- (j) up to £50 million with Royal Bank of Scotland/Nat West PLC overnight only.

For non-UK institutions from a country with a sovereign Fitch credit rating of at least AA+ (or equivalent under Moody's or Standard and Poor's):

- (k) up to £50 million with institutions with a Fitch credit rating of at least F1+ short-term, AA- long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), and where generally no more than £30 million is placed for periods longer than 6 months;
- (l) up to £20 million for a maximum of 6 months with Fitch credit rating of at least F1+ short-term, AA- long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's);

- (m) up to £20 million with Fitch credit rating of at least F1+ short-term, A+ long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's; and
- (n) up to £5 million for a maximum of 6 months with institutions with a Fitch credit rating of at least F1+ short-term, A+ long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's).

The credit ratings from Fitch, Moody's and Standard and Poor's were reviewed on a monthly basis, and the lowest of the three used.

### **Money Market Funds**

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

- (a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Financial Planning meeting within the Finance Department.
- (b) The maximum overall limit for the use of MMFs shall be 50% of total investments.
- (c) The maximum limit for each counterparty shall be £50 million.
- (d) Each MMF shall have a minimum AAA credit rating from one of the three main credit rating agencies and, if the fund has more than one rating, each rating shall be AAA.

### **Property Funds**

Investments of up to £10 million may be placed in a property fund that is set up under a scheme approved by HM Treasury.

### **Other counterparty debtors**

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

### **Liquidity risk**

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

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
Less than one year	20,701	19,125
Between one and two years	17,202	20,701
Between two and five years	51,605	51,605
Between five and ten years	86,009	86,009
Between ten and fifteen years	-	17,202
	<u>175,517</u>	<u>194,642</u>

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

### **Interest rate risk**

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

### **Financial Instrument Adjustment Account**

This account provides for differences in relation to soft loans between amounts to be recognised under the Code of Practice, and amounts that are not required by statute to be met from the General Fund. A soft loan is a loan at less than market rate of interest. The amount represents the future interest foregone for soft loans given by the Council. As the Council has not recently issued any soft loans, the balance outstanding reduced to such a level that it was written off during 2013/14.

## **COLLECTION FUND**

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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

**COLLECTION FUND INCOME AND EXPENDITURE STATEMENT**

	<u>2014/15</u>			<u>2013/14</u>		
	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>	<b>Total £'000</b>	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>	<b>Total £'000</b>
<b>Income</b>						
<b>Council Taxpayers:</b>						
Income from council taxpayers	84,326	-	84,326	83,137	-	83,137
Adjustment for previous year's council tax	175	-	175	219	-	219
<b>Business Ratepayers:</b>						
Business rates	-	102,429	102,429	-	102,862	102,862
Business Rate Supplement	-	2,582	2,582	-	2,393	2,393
<b>Estimated Deficit for previous year:</b>						
Paid by Wandsworth Borough Council	-	22	22	-	-	-
Paid by Greater London Authority	-	15	15	-	-	-
Paid by Central Government	-	37	37	-	-	-
<b>Total income</b>	<b>84,501</b>	<b>105,085</b>	<b>189,586</b>	<b>83,356</b>	<b>105,255</b>	<b>188,611</b>
<b>Expenditure</b>						
<b>Council Tax Precepts and Demands:</b>						
Wandsworth Borough Council	45,444	-	45,444	44,632	-	44,632
Greater London Authority	34,982	-	34,982	34,806	-	34,806
<b>Business Rates:</b>						
Payment to Government	-	50,923	50,923	-	49,414	49,414
Payment to Greater London Authority	-	20,369	20,369	-	19,765	19,765
Payment to Wandsworth Borough Council	-	30,554	30,554	-	29,648	29,648
Cost of collection allowance	-	477	477	-	484	484
<b>Business Rate Supplement:</b>						
Payment to Greater London Authority	-	2,569	2,569	-	2,377	2,377
Cost of collection allowance	-	13	13	-	16	16
<b>Bad and Doubtful Debts:</b>						
Write offs	866	383	1,249	1,157	917	2,074
Provisions	(766)	(392)	(1,158)	(272)	494	222
<b>Appeals:</b>						
Provision for appeals	-	1,027	1,027	-	5,914	5,914
<b>Estimated Surplus for previous year:</b>						
Paid to Wandsworth Borough Council	1,402	-	1,402	1,327	-	1,327
Paid to Greater London Authority	1,093	-	1,093	1,079	-	1,079
<b>Total expenditure</b>	<b>83,021</b>	<b>105,923</b>	<b>188,944</b>	<b>82,729</b>	<b>109,029</b>	<b>191,758</b>
Surplus/(deficit) for the year	1,480	(838)	642	627	(3,774)	(3,147)
Surplus at start of year	3,092	(3,774)	(682)	2,465	-	2,465
<b>Surplus/(deficit) at end of year</b>	<b>4,572</b>	<b>(4,612)</b>	<b>(40)</b>	<b>3,092</b>	<b>(3,774)</b>	<b>(682)</b>

### Surplus/(deficit) on Collection Fund

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

	<u>2014/15</u>			<u>2013/14</u>		
	Council	Business	Total	Council	Business	Total
	Tax £'000	Rates £'000		Tax £'000	Rates £'000	
Wandsworth Borough Council	2,586	(1,384)	1,202	1,739	(1,132)	607
Greater London Authority	1,986	(922)	1,064	1,353	(755)	598
Central Government	-	(2,306)	(2,306)	-	(1,887)	(1,887)
<b>Total</b>	<b>4,572</b>	<b>(4,612)</b>	<b>(40)</b>	<b>3,092</b>	<b>(3,774)</b>	<b>(682)</b>

### NOTES TO THE COLLECTION FUND

#### 1. Tax Levels

	<u>2014/15</u>	<u>2013/14</u>
	£	£
<b>Council tax amount for band D properties</b>		
Wandsworth Council	388.42	388.54
Greater London Authority	299.00	303.00
<b>Total</b>	<b>687.42</b>	<b>691.54</b>
<b>Business rate per £ value</b>		
Standard rating multiplier	48.2p	47.1p
Small business rating multiplier	47.1p	46.2p
Business Rate Supplement (RV >£55,000)	2.0p	2.0p

## 2. Tax Bases

The 134,090 domestic properties provided a tax base equivalent to 116,996 band D properties:

<u>Band</u>	<u>No. of properties after discounts and exemptions</u>	<u>Ratio</u>	<u>Equivalent no. of band D properties</u>
A	3,329	6/9	2,219
B	7,277	7/9	5,660
C	25,706	8/9	22,850
D	25,938	9/9	25,938
E	17,999	11/9	21,998
F	12,669	13/9	18,299
G	11,465	15/9	19,108
H	2,447	18/9	4,894
Total	<hr/> 106,830		<hr/> 120,966
Less adjustment for collection rate			(4,114)
Plus armed forces accommodation			144
<b>Council tax base for 2014/15</b>			<hr/> <hr/> 116,996

Rateable value of non-domestic properties at 31st March    £255,614,966

## **HOUSING REVENUE ACCOUNT**

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

**HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT**

	<u>Note</u>	<u>2014/15</u> £'000	<u>2013/14</u> £'000
<b>Expenditure</b>			
Repairs and maintenance		(25,119)	(27,010)
Supervision and management		(49,313)	(46,688)
Rents, rates, taxes and other charges		(481)	(523)
Rent Rebate Subsidy Limitation		(50)	(3,323)
Depreciation and impairment of non-current assets			
- Operational assets - dwellings		(22,052)	(21,525)
- Operational assets - other land and buildings		(1,189)	(1,049)
- Non operational assets		-	-
- Impairment / Revaluation Loss	5	(4,099)	(761)
- Reversal of previous years' impairment	5	174,960	98,472
Debt management costs		-	-
Movement in the allowance for bad debts (not specified by the Code)		(237)	(208)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		-	-
<b>Total Expenditure</b>		<b>72,420</b>	<b>(2,615)</b>
<b>Income</b>			
Dwelling rents		110,632	110,271
Non-dwelling rents		4,110	3,744
Charges for services and facilities		23,089	24,068
Contributions towards expenditure		-	-
Sums directed by the Secretary of State that are income in accordance with proper practices		-	-
<b>Total Income</b>		<b>137,831</b>	<b>138,083</b>
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		210,251	135,468
HRA services' share of Corporate and Democratic Core		(1,276)	(1,331)
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		-	-
<b>Net Income from HRA Services</b>		<b>208,975</b>	<b>134,137</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
Gain on sale of HRA non-current assets		21,884	27,813
Interest payable and similar charges		(5,978)	(6,432)
Interest and investment income		1,922	1,139
Pensions interest cost and expected return on pensions assets		(1,223)	(1,032)
Capital grants and contributions receivable		7,433	3,922
Other income		1,912	1,174
<b>Surplus for the year on HRA services</b>		<b>234,925</b>	<b>160,721</b>

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
Balance on the HRA at the end of the previous year	<b>105,763</b>	103,647
Surplus for the year on the HRA Income and Expenditure Statement	<b>234,925</b>	160,721
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-	-
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	<b>(9,065)</b>	(4,777)
Gain on sale of HRA non-current assets	<b>(21,884)</b>	(27,813)
HRA share of contributions to or from the Pensions Reserve	<b>1,798</b>	1,461
Revenue funded by Capital under Statute	<b>7,733</b>	4,391
Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	-	-
<b>Adjustments between accounting basis and funding basis under statute</b>	<b>(21,418)</b>	(26,738)
<b>Net increase before transfers to or from reserves</b>	<b>213,507</b>	133,983
Transfer to the Capital Adjustment Account	<b>(205,217)</b>	(132,067)
Transfer from Insurance Reserve	-	200
<b>Increase in year on the HRA</b>	<b>8,290</b>	2,116
<b>Balance on the HRA at the end of the current year</b>	<b>114,053</b>	105,763

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

	<u>31st March 2015</u>			<u>31st March 2014</u>		
	<u>Flats</u>	<u>Houses</u>	<u>Total</u>	<u>Flats</u>	<u>Houses</u>	<u>Total</u>
Secure tenancies	14,226	2,575	16,801	14,298	2,578	16,876
Equity share tenancies	33	52	85	33	53	86
Shared dwellings	235	-	235	234	-	234
Long-lease sold	15,905	43	15,948	15,901	43	15,944
	<b>30,399</b>	<b>2,670</b>	<b>33,069</b>	30,466	2,674	33,140

**2. Housing Major Repairs Reserve**

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
Balance at beginning of year	128,732	106,683
Capital expenditure charged to Reserve	-	(525)
Depreciation		
- on dwellings	22,052	21,525
- on other assets	1,189	1,049
<b>Balance at end of year</b>	<b>151,973</b>	<b>128,732</b>

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

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

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
Charge included within net cost of services	(575)	(429)
Pension interest cost and returns on assets	(1,223)	(1,032)
Transfer to/(from) Pension Reserve	1,798	1,461
<b>Net cost to the HRA</b>	<b>-</b>	<b>-</b>

**Transactions Relating to Retirement Benefits**

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

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

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Capital reimbursements and grants	7,433	3,616
Major Repairs Reserve	-	524
Housing capital receipts applied	19,935	19,206
Retained 1-4-1 receipts applied	1,573	306
Borrowing	3,669	-
<b>Total</b>	<u><u>32,610</u></u>	<u><u>23,652</u></u>

Total capital expenditure includes £7.733 million of expenditure properly classified as revenue expenditure but which is funded by capital under statute.

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

	<u>Balance Sheet Value</u> <u>31st March 2015</u> £'000	<u>Balance Sheet Value</u> <u>31st March 2014</u> £'000
<b>Operational Assets</b>		
Dwellings	1,247,966	983,232
Other land and buildings	48,715	48,422
<b>Total</b>	<u><u>1,296,681</u></u>	<u><u>1,031,654</u></u>

The vacant possession value of dwellings within the HRA at 31st March 2015 was £4,937 million. The balance sheet value is lower because nearly all the dwellings are occupied and because the rents for secure tenancies are below market value.

**Impairment**

Impairment of £8.0 million was identified in HRA dwellings between the valuation dates of March 2014 and March 2015 and £4.1 million was shown as a cost in the Income and Expenditure Statement. Revaluation losses of £175.0 million charged to the Income and Expenditure Statement in previous years were reversed by a revaluation gain and credited to the Income and Expenditure Statement. These numbers are incorporated into the table in Note 9 to the Balance Sheet.

**6. Capital Receipts from Disposal of HRA Assets**

	<u>2014/15</u>	<u>2013/14</u>
	£'000	£'000
Land	-	-
Houses	24,441	21,798
Other	6,863	15,414
<b>Total</b>	<u><u>31,304</u></u>	<u><u>37,212</u></u>

**PENSION FUND ACCOUNT**

	<u>Note</u>	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
<b>Dealing with members, employers and others directly involved in the fund</b>			
Contributions	7	33,643	32,409
Transfers in from other pension funds	8	1,424	3,114
		<hr/> 35,067	<hr/> 35,523
Benefits	9	(48,539)	(42,815)
Payments to and on account of leavers	10	(838)	(1,933)
Administration expenses	11	(747)	(722)
		<hr/> (50,124)	<hr/> (45,470)
Net withdrawals from dealings with members		(15,057)	(9,947)
<b>Returns on Investments</b>			
Investment Income	12	22,346	22,299
Taxes on Income	13	(276)	(266)
Profit and losses on disposal of investments and changes in market value of investments	15a	146,168	56,743
Investment management expenses	14	(3,115)	(2,635)
Net Return on Investments		<hr/> 165,123	<hr/> 76,141
<b>Net increase in the net assets available for benefits during the year</b>		<hr/> <b>150,066</b>	<hr/> 66,194
Net assets at the start of the year		1,057,083	990,889
<b>Net assets at the end of the year</b>		<hr/> <b>1,207,149</b> <hr/>	<hr/> 1,057,083 <hr/>

**NET ASSETS STATEMENT**

	<u>Note</u>	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
Investment assets	15	1,188,352	1,049,071
Cash deposits	15	23,041	18,893
		<hr/> 1,211,393	<hr/> 1,067,964
Investment liabilities	15	(4,632)	(10,275)
Current assets	20	2,612	2,316
Current liabilities	21	(2,224)	(2,922)
<b>Net assets of the fund available to fund benefits at the period end</b>		<hr/> <b>1,207,149</b> <hr/>	<hr/> <b>1,057,083</b> <hr/>

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

## **NOTES TO THE PENSION FUND**

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

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

The following description of the fund is a summary only. For more detail, reference should be made to the fund's Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972, Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### **a) General**

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended).
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- the LGPS (Management and Investment of Funds) Regulations 2009.

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

#### **b) Membership**

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

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

There are 32 employer organisations within the fund including the Council itself. 19 employer organisations, including the Council, have active members, the remaining employer organisations have deferred members and pensioners only.

<b>Wandsworth Pension Fund</b>	<b><u>31st March 2015</u></b>	<b><u>31st March 2014</u></b>
Number of employers with active members	<b>19</b>	16
<b>Number of active members in fund</b>		
Council	<b>5,229</b>	4,733
Other employers	<b>594</b>	508
<b>Total</b>	<b>5,823</b>	5,241
<b>Number of pensioners (including dependants)</b>		
Council	<b>5,184</b>	5,013
Other employers	<b>55</b>	46
<b>Total</b>	<b>5,239</b>	5,059
<b>Deferred pensioners</b>		
Council	<b>7,815</b>	7,234
Other employers	<b>264</b>	166
<b>Total</b>	<b>8,079</b>	7,400

### c) **Funding**

Benefits are funded by contributions and returns on investment. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2015. Member contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The last such valuation was at 31st March 2013. Currently, the employer contribution rate payable by each employing authority ranges from 14.8% - 19.0% of pensionable pay.

#### d) **Benefits**

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

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

The LGPS has been amended for service from 1st April 2014. From this date the LGPS provides a Career Average Revalued Earnings (CARE) pension (rather than a pension based on final salary) with a benefit build up rate of 1/49<sup>th</sup> (rather than 1/60<sup>th</sup>) for future membership. Protections apply to benefits built up before 1st April 2014. More details about the new scheme can be found here: [www.lgps2014.org](http://www.lgps2014.org) for members of the scheme and here: [www.lgpsregs.org](http://www.lgpsregs.org) for administrators of the scheme.

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

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

## 2. **Basis of Preparation**

The Statement of Accounts summarises the fund's transactions for the 2014/15 financial year and its position at year-end as at 31st March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take into account of obligations to pay benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

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

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

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

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

The Council's contribution rate is 19% of pensionable salary. For the year ended 31st March 2015 this comprised a normal contribution rate of 16.0% in respect of future accrual and an additional rate of 3.0% required to repay the deficit. The contribution rate payable by other employers contributing to the Fund ranges from 14.8%-19.0%. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or in the absence of an agreement on a receipts basis. Contributions are recognised when salaries are paid.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

## **b) Transfers to and from other schemes**

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

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see Note 22) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in (see Note 8).

## **c) Investment income**

### **i. Interest income**

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

### **ii. Dividend income**

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

### **iii. Distribution from pooled funds**

Pooled investment vehicles are accumulation funds and as such the change in market value also includes income, net of withholding tax, which is re-invested in the fund. All of the pooled funds are accumulation funds with the exception of the Reef property fund.

### **iv. Movement in the net market value of investments**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sale of investments during the year.

## **Fund account – expense items**

### **d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Pensions and lump sum payments are considered to be due at the later of the date of retirement and the date that the option to receive benefits is exercised.

### **e) Taxation**

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

### **f) Administrative expenses**

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

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

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

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

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

- Allianz
- Longview Partners
- River and Mercantile
- Rogge Global Partners

Further information on the performance fees is provided in the Fund's Statement of Investment Principles.

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

## **Net assets statement**

### **h) Financial assets**

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

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

i. Market - quoted investments

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

ii. Fixed interest securities

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

iii. Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

### **i) Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### **j) Derivatives**

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

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

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

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

**k) Cash and cash equivalents**

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

**l) Financial liabilities**

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

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

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

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

**n) Additional voluntary contributions**

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

AVCs are not included in the accounts, which is in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 200913093). They are disclosed as a note only (Note 22).

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

**Pension fund liability**

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

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

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

## 6. Events after the Year End

There have been no events since 31st March 2015, and up to the date when these accounts were certified that require any adjustments to these accounts.

## 7. Contributions

	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
<b>By category</b>		
Employers		
- Normal	19,839	18,521
- Deficit	3,720	4,580
- Augmentation	1,547	1,161
Members	8,537	8,147
<b>Total</b>	<u><u>33,643</u></u>	<u><u>32,409</u></u>
<b>By authority</b>		
Wandsworth Council	30,853	30,161
Scheduled bodies	2,284	1,716
Admitted bodies	506	532
<b>Total</b>	<u><u>33,643</u></u>	<u><u>32,409</u></u>

## 8. Transfers in from other Pension Funds

	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
Individual transfers	1,424	3,114
<b>Total</b>	<u><u>1,424</u></u>	<u><u>3,114</u></u>

**9. Benefits**

	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
<b>By category</b>		
Pensions	35,892	33,263
Commutation and lump sum retirement benefits	11,466	8,704
Lump sum death benefits	1,181	848
<b>Total</b>	<u>48,539</u>	<u>42,815</u>
<b>By authority</b>		
Wandsworth Council	47,817	42,098
Scheduled bodies	502	420
Admitted bodies	220	297
<b>Total</b>	<u>48,539</u>	<u>42,815</u>

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

	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
Refund to members leaving service	52	20
Individual transfers	786	1,913
<b>Total</b>	<u>838</u>	<u>1,933</u>

**11. Administration Expenses**

	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
Central recharge	676	646
External audit fee	24	18
Actuarial fees	11	19
Other	36	39
<b>Total</b>	<u>747</u>	<u>722</u>

**12. Investment Income**

	<u><b>31st March 2015</b></u>	<u>31st March 2014</u>
	£'000	£'000
Fixed interest securities	7,942	6,918
Equity dividends	14,232	15,172
Pooled investments - unit trusts and other managed funds	56	73
Interest on cash deposits	116	136
<b>Total</b>	<u><b>22,346</b></u>	<u>22,299</u>

**13. Taxes on Income**

	<u><b>31st March 2015</b></u>	<u>31st March 2014</u>
	£'000	£'000
Withholding tax - equities	276	266
<b>Total</b>	<u><b>276</b></u>	<u>266</u>

**14. Investment Management Expenses**

	<u><b>31st March 2015</b></u>	<u>31st March 2014</u>
	£'000	£'000
Management fees	2,942	2,495
Custody fees	79	66
Performance monitoring service	15	12
Investment consultancy	79	62
<b>Total</b>	<u><b>3,115</b></u>	<u>2,635</u>

Management fees include performance fees of £0.6 million in 2014/15 (£0.5 million in 2013/14).

**15. Investments**

	<b><u>31st March 2015</u></b>	<b><u>31st March 2014</u></b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment assets</b>		
Fixed interest securities	227,929	200,869
Equity	670,317	576,292
Pooled investments	278,136	252,587
Pooled property investments	1,019	1,024
Derivative contracts		
- Futures	295	198
- Forward currency contracts	1,339	1,517
Cash deposits	23,041	18,893
Cash collateral	527	-
Investment income due	4,919	4,392
Amounts receivable for sales	3,871	12,192
<b>Total investment assets</b>	<b><u>1,211,393</u></b>	<b><u>1,067,964</u></b>
<b>Investment liabilities</b>		
Derivative contracts		
- Futures	(148)	(92)
- Forward currency contracts	(935)	(621)
Amounts payable for purchases	(2,922)	(9,460)
Obligation to return cash collateral	(627)	(102)
<b>Total investment liabilities</b>	<b><u>(4,632)</u></b>	<b><u>(10,275)</u></b>
<b>Net investment assets</b>	<b><u><u>1,206,761</u></u></b>	<b><u><u>1,057,689</u></u></b>

## a) Reconciliation of movements in investments and derivatives

	<u>Market value as at 31st March</u> <u>2014</u> <u>£'000</u>	<u>Purchases during the year and derivative payments</u> <u>£'000</u>	<u>Sales during the year and derivative receipts</u> <u>£'000</u>	<u>Change in Market value during the year</u> <u>£'000</u>	<u>Market value as at 31st March</u> <u>2015</u> <u>£'000</u>
Fixed interest securities	200,869	97,193	(95,433)	25,300	227,929
Equities	576,292	189,926	(191,978)	96,077	670,317
Pooled investments	252,587	10,000	(7,405)	22,954	278,136
Pooled property investments	1,024	-	-	(5)	1,019
	1,030,772	297,119	(294,816)	144,326	1,177,401
Derivative contracts:					
Futures	106	2,227	(1,201)	(985)	147
Forward currency contracts	896	4,959	(8,090)	2,639	404
	1,031,774	304,305	(304,107)	145,980	1,177,952
Other investment balances:					
Cash deposits	18,893			188	23,041
Amount receivable for sales of investments	12,192				3,871
Investment income due	4,392				4,919
Amounts payable for purchases of investments	(9,460)				(2,922)
Cash Collateral	-				527
Obligation to Return Cash Collateral	(102)				(627)
	1,057,689			146,168	1,206,761

	<u>Market value as at 31st March 2013 £'000</u>	<u>Purchases during the year and derivative payments £'000</u>	<u>Sales during the year and derivative receipts £'000</u>	<u>Change in Market value during the year £'000</u>	<u>Market value as at 31st March 2014 £'000</u>
Fixed interest securities	163,734	209,013	(163,832)	(8,046)	200,869
Equities	534,062	383,323	(394,765)	53,672	576,292
Pooled investments	243,080	87,677	(89,042)	10,872	252,587
Pooled property investments	9,489	-	(8,559)	94	1,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	950,365	680,013	(656,198)	56,592	1,030,772
Commodities	-	70	(70)	-	-
Derivative contracts:					
Futures	152	491	738	(1,275)	106
Forward currency contracts	(230)	9,216	(9,708)	1,618	896
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	950,287	689,790	(665,238)	56,935	1,031,774
Other investment balances:					
Cash deposits	36,646			(192)	18,893
Amount receivable for sales of investments	3,758				12,192
Investment income due	3,796				4,392
Amounts payable for purchases of investments	(4,471)				(9,460)
Obligation to Return Cash Collateral	(48)				(102)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	989,968			56,743	1,057,689

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £0.9 million (£1.3 million in 2013/14). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

**b) Analysis of investments (excluding derivative contracts)**

	<u>31st March 2015</u> £'000	<u>31st March 2014</u> £'000
<b>Fixed interest securities</b>		
<b>UK</b>		
Public sector quoted	4,288	-
Corporate quoted	71,218	61,241
Public sector Index linked	68,592	58,586
<b>Overseas</b>		
Public sector quoted	5,908	1,568
Corporate quoted	77,923	79,474
	<hr/> 227,929	<hr/> 200,869
<b>Equities</b>		
<b>UK</b>		
Quoted	206,448	186,367
<b>Overseas</b>		
Quoted	463,869	389,925
	<hr/> 670,317	<hr/> 576,292
<b>Pooled funds - additional analysis</b>		
<b>UK</b>		
Fixed income unit trust	38,992	37,001
Equity unit trust	223,193	206,895
<b>Overseas</b>		
Fixed income unit trust	15,951	8,691
	<hr/> 278,136	<hr/> 252,587
Pooled property investments	1,019	1,024
	<hr/> 1,019	<hr/> 1,024
	<hr/> <b>1,177,401</b>	<hr/> <b>1,030,772</b>

## **Analysis of derivatives**

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

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

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

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

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

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

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

#### **a. Futures**

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

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

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

## Futures

Outstanding exchange traded futures contracts are as follows:

<u>Type</u>	<u>Expires</u>	<u>Market value</u>		<u>Market value</u>	
		<u>Economic exposure</u>	<u>31st March 2015</u>	<u>Economic exposure</u>	<u>31st March 2014</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Assets</b>					
UK Fixed Income Futures	Less than one year	13,645	268	-	-
Overseas Fixed Income Futures	Less than one year	(14,519)	27	(40,753)	198
<b>Total assets</b>			<u>295</u>		<u>198</u>
<b>Liabilities</b>					
UK Fixed Income Futures	Less than one year	-	-	7,558	(33)
Overseas Fixed Income Futures	Less than one year	(23,464)	(148)	34,724	(59)
<b>Total liabilities</b>			<u>(148)</u>		<u>(92)</u>
<b>Net futures</b>			<u>147</u>		<u>106</u>

**Open forward currency contracts**

<u>Settlements</u>	<u>Currency bought</u>	<u>Local value of currency bought</u> <u>'000</u>	<u>Currency sold</u>	<u>Local value of currency sold</u> <u>'000</u>	<u>Asset value</u> <u>£'000</u>	<u>Liability value</u> <u>£'000</u>
1-2 months	CAD	8,137	EUR	(5,702)	201	-
1-2 months	EUR	7,370	USD	(8,432)	-	(347)
1-2 months	GBP	1,920	EUR	(2,629)	18	-
1-2 months	GBP	21,887	USD	(33,168)	-	(458)
1-2 months	JPY	19,176	GBP	(105)	3	-
1-2 months	JPY	442,100	USD	(3,703)	-	(10)
1-2 months	USD	6,498	CAD	(8,120)	59	-
1-2 months	USD	25,388	EUR	(22,458)	851	-
1-2 months	USD	3,941	GBP	(2,607)	48	-
1-2 months	USD	13,600	JPY	(1,607,334)	159	(29)
1-2 months	USD	6,469	NZD	(8,819)	-	(91)
2-3 months	MXN	466	USD	(31)	-	-
<b>Open forward currency contracts at 31st March 2015</b>					<b>1,339</b>	<b>(935)</b>
<b>Net forward currency contracts at 31st March 2015</b>						<b>404</b>
Prior year comparative:						
Open forward currency contracts at 31st March 2014					1,517	(621)
Net forward currency contracts at 31st March 2014						896

**Investments analysed by Fund Manager**

	<b><u>Market</u></b>		<b><u>Market value</u></b>	
	<b><u>value as at</u></b>		<b><u>as at 31st</u></b>	
	<b><u>31st March</u></b>		<b><u>March 2014</u></b>	
	<b><u>2015</u></b>		<b><u>March 2014</u></b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Aberdeen (Property Pooled Vehicle)	1,019	0.1	1,030	0.1
Northern Trust (Custodian)	125	0.0	1,058	0.1
Rogge (Enhanced Bond)	251,541	20.8	219,687	20.8
Longview (Global Equity)	211,253	17.5	167,025	15.8
River & Mercantile (UK Equity)	152,443	12.6	145,066	13.7
Allianz (Global Equity)	168,805	14.0	143,850	13.6
UBSGAM (Passive Multi Asset)	262,185	21.7	243,896	23.1
Baillie Gifford (Global Equity)	159,379	13.2	135,967	12.9
Nomura (Transition Manager)	11	0.0	110	0.0
	<b><u>1,206,761</u></b>		<b><u>1,057,689</u></b>	

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

	<b><u>Market</u></b>		<b><u>Market value</u></b>	
	<b><u>value as at</u></b>		<b><u>as at 31st</u></b>	
	<b><u>31st March</u></b>		<b><u>March 2014</u></b>	
	<b><u>2015</u></b>		<b><u>March 2014</u></b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
UBSGAM Life UK Equity Tracker	223,193	18.5	206,895	19.6

**The Fund held 5 Pooled Funds, they are shown in the table below**

<b><u>Asset Description</u></b>	<b><u>Market value as at 31st March 2015 £'000</u></b>
UBSGAM Life UK Equity Tracker	223,193
UBSGAM Life UK Over 5 Year Index Linked Gilt Tracker	38,992
Rogge Funds Plc Global Select High Yield Bond	11,180
Rogge Heitman Short Duration Global Real Estate Bond Fund	4,771
Rreef UK Property Fund No 3	1,019
<b>Total</b>	<b><u>279,155</u></b>

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

<b><u>Asset Description</u></b>	<b><u>Market value as at 31st March 2015 £'000</u></b>
United Health Group	10,347
HCA Holdings	9,825
Fidelity National Information Services	9,096
Delphi Automotive	8,809
HSBC Holdings	8,703
Time Warner	8,574
Accenture	7,921
Wells Fargo & co	7,912
Oracle	7,850
Bank New York Mellon	7,786
<b>Total</b>	<b><u>86,823</u></b>

**Stock Lending**

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

## 16. Financial Instruments

### a) Classification of financial instruments

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

	<u>Designated</u> <u>as fair</u> <u>value</u> <u>through</u> <u>change in</u> <u>market</u> <u>value</u> <u>2014/15</u> <u>£'000</u>	<u>Loans and</u> <u>receivables</u> <u>2014/15</u> <u>£'000</u>	<u>Financial</u> <u>liabilities</u> <u>at</u> <u>amortised</u> <u>cost</u> <u>2014/15</u> <u>£'000</u>	<u>Designated</u> <u>as fair</u> <u>value</u> <u>through</u> <u>change in</u> <u>market</u> <u>value</u> <u>2013/14</u> <u>£'000</u>	<u>Loans and</u> <u>receivables</u> <u>2013/14</u> <u>£'000</u>	<u>Financial</u> <u>liabilities at</u> <u>amortised</u> <u>cost</u> <u>2013/14</u> <u>£'000</u>
<b>Financial assets</b>						
Fixed interest securities	227,929			200,869		
Equities	670,317			576,292		
Pooled investments	278,136			252,587		
Pooled property investments	1,019			1,024		
Private/equity infrastructure						
Property						
Derivative contracts	1,634			1,715		
Cash		23,041			18,893	
Other investment balances	9,317			16,584		
Current assets		2,612				
	<b>1,188,352</b>	<b>25,653</b>		<b>1,049,071</b>	<b>18,893</b>	
<b>Financial liabilities</b>						
Derivative contracts	(1,083)			(714)		
Other investment balances	(6)			(1)		
Creditors			(3,543)			(9,560)
Current liabilities			(2,224)			
	<b>(1,089)</b>		<b>(5,767)</b>	<b>(715)</b>	<b>-</b>	<b>(9,560)</b>
	<b>1,187,263</b>	<b>25,653</b>	<b>(5,767)</b>	<b>1,048,356</b>	<b>18,893</b>	<b>(9,560)</b>

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

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
<b>Financial assets</b>		
Fair value through change in market value	144,327	56,592
Loans and receivables	187	(192)
<b>Financial liabilities</b>		
Fair value through change in market value	1,654	343
<b>Total</b>	<u><u>146,168</u></u>	<u><u>56,743</u></u>

**c) Fair value of financial instruments and liabilities**

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

	<u>Book cost</u>	<u>Fair value</u>	<u>Book cost</u>	<u>Fair value</u>
	2014/15	2014/15	2013/14	2013/14
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Fair value through change in market value	917,997	1,188,352	894,985	1,049,071
Loans and receivables	25,653	25,653	18,893	18,893
<b>Total financial assets</b>	<u>943,650</u>	<u>1,214,005</u>	913,878	1,067,964
<b>Financial liabilities</b>				
Fair value through change in market value	(623)	(1,089)	(102)	(715)
Financial liabilities at amortised cost	(5,767)	(5,767)	(9,464)	(9,560)
<b>Total financial liabilities</b>	<u>(6,390)</u>	<u>(6,856)</u>	(9,566)	(10,275)

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

#### **d) Valuation of financial instruments carried at fair value**

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

##### **Level 1**

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

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

##### **Level 2**

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

##### **Level 3**

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

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

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

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

	<u>Quoted market price</u> Level 1 £'000	<u>Using observable inputs</u> Level 2 £'000	<u>With significant unobservable inputs</u> Level 3 £'000	<u>Total</u> £'000
<b>Values at 31st March 2015</b>				
<b>Financial assets</b>				
Fair value through change in market value	689,279	490,035	9,038	1,188,352
Loans and receivables	25,653	-	-	25,653
<b>Total financial assets</b>	<b>714,932</b>	<b>490,035</b>	<b>9,038</b>	<b>1,214,005</b>
<b>Financial liabilities</b>				
Fair value through change in market value	(1,089)	-	-	(1,089)
Financial liabilities at amortised cost	(5,767)	-	-	(5,767)
<b>Total financial liabilities</b>	<b>(6,856)</b>	<b>-</b>	<b>-</b>	<b>(6,856)</b>
<b>Net financial assets</b>	<b>708,076</b>	<b>490,035</b>	<b>9,038</b>	<b>1,207,149</b>

	<u>Quoted market price</u> Level 1 £'000	<u>Using observable inputs</u> Level 2 £'000	<u>With significant unobservable inputs</u> Level 3 £'000	<u>Total</u> £'000
<b>Values at 31st March 2014</b>				
<b>Financial assets</b>				
Fair value through change in market value	691,166	447,932	9,421	1,148,519
Loans and receivables	31,086	-	-	31,086
<b>Total financial assets</b>	<b>722,252</b>	<b>447,932</b>	<b>9,421</b>	<b>1,179,605</b>
<b>Financial liabilities</b>				
Fair value through change in market value	(121,916)	-	-	(121,916)
<b>Total financial liabilities</b>	<b>(121,916)</b>	<b>-</b>	<b>-</b>	<b>(121,916)</b>
<b>Net financial assets</b>	<b>600,336</b>	<b>447,932</b>	<b>9,421</b>	<b>1,057,689</b>

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

### Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, over the long-term, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. Policies are reviewed regularly to reflect changes in activity and in market conditions.

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

#### a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of employing six fund managers. Three manage Global Equities, one manages UK Equities, one manages Bonds and one has a multi asset passive mandate. The fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Finance Directorate. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages risk by applying risk-weighted maximum exposures to individual investments and asset classes.

Government bond futures are used to manage market risk.

#### Other price risk

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

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

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

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

**Other price risk — sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurement company (WM Company), the Council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

	<b><u>Potential market</u></b> <b><u>movements</u></b> <b>(+)/(-)</b>
UK equities	10.1%
Overseas equities	9.5%
UK bonds	6.8%
Overseas bonds	6.7%
UK index linked	9.5%
Pooled property investments	n/a

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

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

<u>Asset Type</u>	<u>Value as at 31st</u> <u>March 2015</u> £'000	<u>Percentage</u> <u>change</u> %	<u>Value on</u> <u>increase</u> £'000	<u>Value on</u> <u>decrease</u> £'000
UK equities	429,641	10.1	473,035	386,247
Overseas equities	463,869	9.5	507,937	419,801
UK bonds	114,498	6.8	122,284	106,712
Overseas bonds	99,782	6.7	106,467	93,097
UK Index Linked	68,592	9.5	75,108	62,076
Pooled property investments	1,019	n/a	1,019	1,019
	<u>1,177,401</u>		<u>1,285,850</u>	<u>1,068,952</u>

<u>Asset Type</u>	<u>Value as at 31st</u> <u>March 2014</u> £'000	<u>Percentage</u> <u>change</u> %	<u>Value on</u> <u>increase</u> £'000	<u>Value on</u> <u>decrease</u> £'000
UK equities	393,262	11.8	439,667	346,857
Overseas equities	389,925	12.2	437,496	342,354
UK bonds	98,242	5.7	103,842	92,642
Overseas bonds	89,733	6.6	95,655	83,811
UK Index Linked	58,586	9.0	63,859	53,313
Pooled property investments	1,024	n/a	1,024	1,024
	<u>1,030,772</u>		<u>1,141,543</u>	<u>920,001</u>

### Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements as at 31st March 2015 and 31st March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

<b>Asset type</b>	<b><u>31st March 2015</u></b> £'000	<b><u>31st March 2014</u></b> £'000
Cash and cash equivalents	<b>23,041</b>	18,893
Fixed interest securities	<b>227,929</b>	200,869
Fixed income pooled funds	<b>54,943</b>	45,691
<b>Total</b>	<b><u>305,913</u></b>	<b><u>265,453</u></b>

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

Government bond futures are used to manage interest rate risk.

### Interest rate risk sensitivity analysis

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

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 50 basis point change in interest rates.

Asset type	<u>Carrying amount as</u>	<u>Change in year in the net assets</u>	
	<u>at 31st March 2015</u>	<u>available to pay benefits</u>	
	£'000	+50BPS £'000	-50BPS £'000
Cash and cash equivalents	23,041	115	(115)
Fixed interest securities	227,929	1,140	(1,140)
Fixed income pooled funds	54,943	275	(275)
<b>Total change in assets available</b>	<b>305,913</b>	<b>1,530</b>	<b>(1,530)</b>

Asset type	<u>Carrying amount as</u>	<u>Change in year in the net assets</u>	
	<u>at 31st March 2014</u>	<u>available to pay benefits</u>	
	£'000	+50BPS £'000	-50BPS £'000
Cash and cash equivalents	18,893	94	(94)
Fixed interest securities	200,869	1,004	(1,004)
Fixed income pooled funds	45,691	228	(228)
<b>Total change in assets available</b>	<b>265,453</b>	<b>1,326</b>	<b>(1,326)</b>

### Currency Risk

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

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

Foreign exchange forwards are used to manage currency risk.

The following table summarises the fund's currency exposure as at 31st March 2015 and as at the previous year end:

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
<b>Currency exposure - asset type</b>		
Overseas cash	1,164	1,514
Overseas quoted securities	463,869	389,925
Overseas fixed income unit trusts	15,951	8,691
Overseas public sector bonds (quoted)	5,908	1,568
Overseas corporate bonds (quoted)	77,923	79,474
<b>Total overseas assets</b>	<b><u>564,815</u></b>	<b><u>481,172</u></b>

### Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the funds performance measurer (WM Company), the Council considers the likely volatility associated with foreign exchange rate movements to be 6.1% in 2014/15 (5.7% in 2013/14) (as measured by one standard deviation).

A 6.1% fluctuation in the currency is considered reasonable based on the fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

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

A 6.1% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	<u>Carrying amount as</u> <u>at 31st March 2015</u>	<u>Change to net assets available</u> <u>to pay benefits</u>	
		<u>+6.1%</u>	<u>-6.1%</u>
	£'000	£'000	£'000
Overseas cash	1,164	1,235	1,093
Overseas quoted securities	463,869	492,165	435,573
Overseas fixed income unit trusts	15,951	16,924	14,978
Overseas public sector bonds (quoted)	5,908	6,268	5,548
Overseas corporate bonds (quoted)	77,923	82,676	73,170
<b>Total change in assets available</b>	<b><u>564,815</u></b>	<b><u>599,268</u></b>	<b><u>530,362</u></b>

Asset Type	Carrying amount as at 31st March 2014 £'000	Change to net assets available to pay benefits	
		+5.7% £'000	-5.7% £'000
Overseas cash	1,514	1,600	1,428
Overseas quoted securities	389,925	412,151	367,699
Overseas equity unit trusts	-	-	-
Overseas fixed income unit trusts	8,691	9,186	8,196
Overseas public sector bonds (quoted)	1,568	1,657	1,479
Overseas corporate bonds (quoted)	79,474	84,004	74,944
Total change in assets available	<u>481,172</u>	<u>508,598</u>	<u>453,746</u>

## b) Credit Risk

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

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

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31st March 2015 was £22 million (£19 million in 2013/14).

This was held with the following institutions:

<u>Summary</u>	<u>Rating</u>	<u>Balances as at</u> <u>31st March 2015</u> £'000	<u>Balances as at</u> <u>31st March 2014</u> £'000
<b>Money market funds</b>			
NTGI global cash fund	Aaa	21,705	18,133
<b>Bank deposit accounts</b>			
Variation margin		564	638
<b>Bank current accounts</b>			
NT custody cash accounts		772	122
Held with Council's Bankers		2,423	2,087
<b>Total</b>		<b>25,464</b>	<b>20,980</b>

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance. As part of the review the fund's exposure to lower rated bonds is monitored to ensure the risk of default is managed. The table below shows the credit rating of the fund's fixed interest securities as at 31st March 2015.

<u>Rating</u>	<u>Balances as at</u> <u>31st March 2015</u> £'000	<u>Balances as at</u> <u>31st March 2014</u> £'000
AAA	-	944
AA+	72,880	58,586
AA	-	-
AA-	551	2,490
A+	6,417	10,255
A	14,734	18,783
A-	14,498	26,670
BBB+	39,056	19,756
BBB	43,200	25,680
BBB-	21,704	23,986
BB+	5,786	4,308
BB	6,812	5,548
BB-	764	844
B+	1,144	1,367
B	283	552
B-	100	1,100
	<b>227,929</b>	<b>200,869</b>

### **c) Liquidity Risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments. The Council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31st March 2015 the value of illiquid assets was £1.0 million, which represented 0.1% of the total fund assets (£1.0 million in 2013/14, which represented 0.1% of the total fund assets).

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

All financial liabilities in the accounts at 31st March 2015 are due within one year.

### **Refinancing risk**

The key risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## **18. Funding Arrangements**

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. At the 2013 actuarial valuation, the fund was assessed as 95% funded (91% at the March 2010 valuation), and the deficit recovery period reduced to 17 years (20 years at the March 2010 valuation). This corresponded to a deficit of £55 million (2010 valuation: £75 million) at that time.

The common contribution rate (the rate which all employers in the fund pay) was set as:

<u>Year</u>	<u>Employers' contribution rate</u>
2015/16	19%
2014/15	19%
2013/14	19%

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

### Financial assumptions

	<u>Nominal</u> <u>% p.a.</u>	<u>Real</u> <u>% p.a.</u>
Discount Rate	5.4	2.7
Short Term Pay increases	2.7	-
Long Term Pay increases	4.5	1.8
Price Inflation/pension increases	2.7	-

### Mortality assumptions

	<u>Males</u>	<u>Females</u>
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.0 years	25.9 years

### Historic mortality assumptions

<u>Year Ended</u>	<u>Prospective Pensioners</u>	<u>Pensioners</u>
31st March 2013	2012 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.5% p.a.	2012 CMI Model with long term rate of improvement of 1.5% p.a.

### Commutation assumption

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

## 19. Actuarial Present Value of Promised Retirement Benefits

To assess the value of the Fund's liabilities as at 31st March 2015, the fund actuary has rolled forward the value of the Fund's liabilities calculated for the Triennial valuation as at 31st March 2013 allowing for the different financial assumptions required under IAS 19. A similar roll-forward approach was taken for the report as at 31st March 2014.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31st March 2015 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31st March 2015 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information the fund actuary has received there appears no evidence that this approach is inappropriate.

### Demographic/Statistical Assumptions

The fund actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31st March 2013. Fund's VitaCurves with improvements from 2010 in line with the Medium Cohort and a 1.5% p.a. underpin.

The assumed life expectations from age 65 are:

	<u>31st March 2015</u>	<u>31st March 2014</u>
<b>Expectancy</b>		
Retiring today		
- Males	<b>23.8</b>	23.7
- Females	<b>25.2</b>	25.1
Retiring in 20 years		
- Males	<b>25.9</b>	25.8
- Females	<b>27.6</b>	27.4

The following assumption has also been made: Members will elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

## Financial Assumptions

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

Assumptions as at	<u>31st March 2015</u>		<u>31st March 2014</u>		<u>31st March 2013</u>	
	<u>% p.a</u>	<u>Real</u>	<u>% p.a</u>	<u>Real</u>	<u>% p.a</u>	<u>Real</u>
RPI increases	<b>3.2%</b>	-	3.6%	-	3.3%	-
CPI increases	<b>2.4%</b>	<b>(0.8%)</b>	2.8%	(0.8%)	2.5%	(0.8%)
Salary increases	<b>4.2%</b>	<b>1.0%</b>	4.6%	1.0%	4.7%	1.4%
Pension increases	<b>2.4%</b>	<b>(0.8%)</b>	2.8%	(0.8%)	2.5%	(0.8%)
Discount rate	<b>3.3%</b>	<b>0.1%</b>	4.4%	0.8%	4.2%	0.9%

These assumptions are set with reference to market conditions at 31st March 2015.

Our estimate of the duration of the Fund's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for the Fund.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 18 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect the duration of the Fund's liabilities.

This measure has historically overestimated future increases in the RPI and so, in the past we have made a deduction of 0.25% in arriving at the RPI assumption. However, the evidence for this in more recent period is weaker and so we have made no such deductions at 31st March 2015. The RPI assumption is therefore 3.2%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.4%. We believe that this is a reasonable estimate for the future differences in the indices.

Salary increases are assumed to be 1.8% above CPI in addition to a promotional scale year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out above) from those used for funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31st March 2015 was £1,527 million (£1,306 million in 2013/14).

The net assets available to pay benefits as at 31st March 2015 was £1,207 million (£1,057 million in 2013/14). Therefore the net pension liability as at 31st March 2015 was £320 million (£249 million in 2013/14). The present value of Funded Obligation consists of £1,469 million vested and £58 million in respect of non vested obligation.

## 20. Current Assets

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
<b>Current assets</b>		
Cash	2,423	2,087
Contributions due from employer	76	55
Amount due from HMRC	81	148
Amounts due from Council	31	21
Audit Fee	-	3
Overpaid pensions	1	2
<b>Total</b>	<u>2,612</u>	<u>2,316</u>

## 21. Current Liabilities

	<u>31st March 2015</u>	<u>31st March 2014</u>
	£'000	£'000
<b>Current liabilities</b>		
Unpaid benefits	(775)	(1,023)
Fund Managers' fees	(930)	(800)
Audit Fee	(24)	(21)
Amounts due to Council	-	(3)
Amounts due to HMRC	(453)	(410)
Admin fee	(31)	(646)
Pension due	(8)	(15)
Pension due to Estate of deceased pensioners	(3)	(4)
<b>Total</b>	<u>(2,224)</u>	<u>(2,922)</u>

## 22. Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions with the Prudential. Additional Voluntary Contributions are entirely separate from the Council's Pension Fund accounts.

	<u>Market Value</u> <u>31st March 2015</u> £'000	<u>Market Value</u> <u>31st March 2014</u> £'000
Balance at beginning of the year	3,158	3,267
Investments purchased with AVCs	607	690
Sales of investments to settle benefits due to members	(1,176)	(950)
Changes in the value of AVCs (investment income and changes in the market value of investments)	239	151
<b>Balance at end of the year</b>	<b><u>2,828</u></b>	<b><u>3,158</u></b>

## 23. Related Party Transactions

### Wandsworth Council

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

The Council incurred costs of £676 thousand (£646 thousand in 2013/14) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The Council is also the single largest employer of members of the pension fund and contributed £31 million to the fund in 2014/15 (£30 million in 2013/14). The pension fund paid benefits to former council employees of £47m in 2014/15 (£42m in 2013/14).

### Governance

Committee members Councillors Mr. M Heaster and Mr. J Daley were active members of the pension fund until 26th May 2014. Councillors Mr. P Carpenter and Mr. J Daley are deferred members of the pension fund. Councillor Mr. M Heaster is receiving a pension from the pension fund.

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

The key officers responsible for the pension fund, Mr. C Buss (Director of Finance and Deputy Chief Executive), Mr. R Claxton (Assistant Director – Pensions and Payroll), Ms C Hollands (Head of Pensions Shared Service) and Mr. P Harris (Pension Fund Controller), are all active members of the scheme. Details of how the scheme benefits are administered can be found at [www.lgps.org.uk](http://www.lgps.org.uk).

## 24. Contractual Commitments

There are no outstanding capital commitments (investments) at 31st March 2015 (£nil in 2013/14).

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

### **Accruals**

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

### **Capital Expenditure**

The statutory definition extends to:

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

### **Capital Financing Costs**

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

### **Capital Receipts**

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

### **Central Support Services**

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

### **Council Tax**

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

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

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

### **General Fund**

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

### **Housing Benefit**

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

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

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

### **Long Term Debtors**

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

### **Major Precepting Authority**

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

### **Non-domestic Rates**

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

### **Precept**

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

### **Provisions**

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

### **Reserves**

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

### **Revenue Expenditure**

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

### **Trading Accounts**

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

### **Transfer Value**

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

**ABBREVIATIONS USED IN THE ACCOUNTS**

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

If you have questions about this booklet, please call  
the Assistant Director (Corporate Finance)  
(020) 8871 6406

If you need it in an alternative format  
(eg. large print)

please call (020) 8871 7588  
or email [corporatefinance@wandsworth.gov.uk](mailto:corporatefinance@wandsworth.gov.uk)