Wandsworth

Chief Executive
Brian Reilly

Wandsworth Borough Council
Chief Executive's Group
The Town Hall Wandsworth High Street
London SW18 2PU

Date: 30 October 2024

For further information on this agenda, or to find out how you can have your say on the issues being discussed, please contact the Democratic Services Officer: Marianna RItchie, Democratic Services Manager on marianna.ritchie@richmondandwandsworth.gov.uk

AUDIT COMMITTEE

THURSDAY, 7TH NOVEMBER, 2024 AT 7.30 P.M.
ROOM 123, TOWN HALL, WANDSWORTH HIGH STREET, LONDON, SW18 2PU

Members of the Committee:
Councillor Paul (Chair); Councillor Marshall (Deputy Chair); Councillors Caddy, Critchard, Hedges, Bissessur and Kana.

Independent Members: Ms Vanessa Bissessur and Ms Ilva Foteini Kana

AGENDA

1. **Declarations of Interests**

   To receive any declarations of disclosable pecuniary interests, registrable or non-registrable interests on any of the matters to be considered at the meeting.

2. **Minutes of the Previous Meeting**

   To confirm and sign as a correct record the minutes of the Audit Committee meeting held on 10 July 2024.

3. **Anti-Bribery and Money Laundering Arrangements (Paper No. 24-310)** **(Pages 3 - 24)**

4. **Internal Audit Update (Paper no. 24-312)** **(Pages 25 - 64)**

5. **Review of Audit Committee Effectiveness and the new Global Standards (GIAS) (Paper No. 24-313)** **(Pages 65 - 74)**

6. **External Audit Update 2023-24 and 2022-23 (Paper No. 24-314)** **(Pages 75 - 452)**

PAPER NO. 24-310

WANDSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE – 7TH NOVEMBER 2024

Report by the Director - Financial Services on the review of the effectiveness of the Council's Anti-Bribery and Money Laundering arrangements.

SUMMARY

The regular review of the codes ensures that they continue to be fit for purpose and is aligned to both legislative changes and operational changes to this Council's service delivery. The Anti-fraud and Anti-corruption Strategy (Paper No. 23-392) sets out the Council's position for preventing fraud and corruption.

This report provides an update on a review of the arrangements in place to prevent bribery and to minimise the Council's risk of exposure to Money Laundering, as a support to the Anti-fraud and Anti-corruption Strategy.

This review confirms the Councils' arrangements for Anti-bribery and Money Laundering Prevention measures are currently proportionate to the risks associated with bribery and the prevention of money laundering and comply with Government Guidance.

GLOSSARY

CIPFA - Chartered Institute of Public Finance & Accountancy
MLRO - Money Laundering Reporting Officer

RECOMMENDATIONS

1. The Audit Committee are recommended to:

   - Note this report is for information.

2. However, if the Committee decide that recommendations need to be made on it, these will be reported to the executive, Council and/or other committees for consideration.

INTRODUCTION

3. Best practice requires that all codes are subject to regular review to ensure that they remain effective. Within the Councils, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely with assurance functions, but in all business units and corporate functions

ANTI-BRIBERY MEASURES

4. In general terms bribery is defined as the offer of a financial or other advantage to encourage someone to perform their functions or activities improperly or to reward that person for having already done so. This includes seeking to influence a decision-maker by giving some kind of extra benefit to that individual (or body) rather than what can legitimately be offered.

5. Where a senior person within the organisation, or a third party (contractor) acting on the Councils' behalf, commits a bribery offence their activities could be attributed to the Councils as a whole. To protect the Councils and to provide a full defence from such liability we need to demonstrate that we have effective anti-bribery measures in place.

6. The anti-bribery code outlines our compliance framework that has been developed to address the following six principles:

- Proportionate Procedures
- Top Level Commitment
- Risk Assessment
- Due Diligence
- Communication
- Monitoring and Review

7. There have not been any changes to legislation or significant changes to published guidance on bribery and this Anti-bribery Code continues to re-enforces Richmond and Wandsworth commitment that the Councils:

- do not, and will not pay bribes or
- offer improper inducements to anyone for any purpose,
- accept bribes or improper inducements.

8. This code has been reviewed, and subject to a few minor amendments to update third party references, remains effective, copy is attached at Appendix A.

Sensitivity: Official

MONEY LAUNDERING PREVENTION

9. Money laundering is defined as the process of moving illegally acquired cash through financial systems so that it appears to be from a legitimate source. It is interpreted very widely and includes possessing, or in any way dealing with, or concealing, the proceeds of any crime.

10. The Councils' arrangements for addressing Money Laundering are incorporated within a code, attached at Appendix B. The Code outlines the arrangements in place that will:

    - Assist with ensuring that suitable polices, procedures and controls exist to mitigate the risk of money laundering and terrorist financing
    - Support the application of a risk management approach to detecting and preventing risk of money laundering and terrorist financing to help inform the level of risk associated with particular business relationships and transactions in order to enable appropriate risk based decisions about clients and retainers.
    - Ensure all necessary steps to communicate this code and train staff in relation to identification and prevention of money laundering offences.

11. The code has been updated to acknowledge the new "failure to prevent fraud" offence under the Economic Crime and Corporate Transparency Act 2023. This new offence is designed to encourage organisations to implement robust fraud prevention measures and protect victims from fraudulent activities.

Training

12. All officers are required to complete on-line fraud awareness training and to highlight individual responsibilities for preventing fraud and bribery there are specific modules that address maintaining an effective anti-bribery and corruption culture including reference on what to do if bribery, fraud of money laundering is suspected.

Risk Assessment

13. All heads of services are required to review their key service risks, including fraud risks, at least annually. At the commencement of all audits service risks are reviewed with particular reference to the risks of fraud.

HEAD OF HUMAN RESOURCES COMMENT

14. Both codes are linked to the Whistleblowing Code and The Head of Human Resources comments that the Councils has measures in place to prevent employees from being involved in bribery. Principally the Code of Conduct for Employees, the Whistleblowing Policy and the Anti-Fraud and Anti-corruption Strategy would apply, and any potential breaches would be considered under the provisions of the Employees Disciplinary Code.

Sensitivity: Official

CONCLUSION

15. The Council's arrangements are currently proportionate to the risks associated with bribery and the prevention of money laundering, and comply with Government Guidance. To ensure that this continues, these arrangements will be regularly monitored and improved if required, and these codes will be subject to a full review at least every three years.

The Town Hall
Wandsworth
SW18 2PU
25th October 2024

PAUL GUILLIOTTI
Director – Financial Services
(Money Laundering Reporting Officer)

Background papers

No background papers were used in the preparation of this report.

All reports to Overview and Scrutiny Committees, regulatory and other committees, the Executive and the full Council can be viewed on the Council's website (www.wandsworth.gov.uk/moderngov) unless the report was published before May 2001, in which case the Democratic Services Officer (Marianna Ritchie – 020 8871 8352; e-mail marianna.ritchie@richmondandwandsworth.gov.uk) can supply it if required

Anti-Bribery Code

Date of implementation: 1 October 2021

Updated October 2024

Due to be reviewed: 1 October 2027

STATEMENT

1. **Bribery** is an inducement or reward offered, promised, or provided to gain personal, commercial, regulatory, or contractual advantage.

2. Bribery is a criminal offence. The Councils do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

3. To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

4. We are committed to the prevention, deterrence, and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance "business as usual," rather than as a one-off exercise.

OBJECTIVE OF THIS CODE

5. This Code provides a coherent and consistent framework to enable the Councils' employees and Members to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

6. We require that all personnel, including those permanently employed, temporary, agency staff, members, and contractors:
   - Act honestly and with integrity always and to safeguard the organisations' resources for which they are responsible
   - Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities.

SCOPE OF THIS CODE

7. This Code applies to all the activities of Richmond and Wandsworth ('the Councils'). For partners, joint ventures, and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this Code.

8. Within the Councils, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely with assurance functions, but in all business units and corporate functions.

9. This Code covers all personnel, including all levels and grades, those permanently employed, temporary and agency staff, contractors, agents, Members (including independent and co-opted members), volunteers and consultants ("employees").

THE COUNCILS' COMMITMENT TO ACTION

10. **We commit to:**
    - Setting out a clear anti-bribery Code and keeping it up to date
    - Making employees aware of their responsibilities to always adhere strictly to this Code

- Providing information to employees so that they can recognise and avoid the use of bribery by themselves and others
- Encouraging employees to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to all employees to report breaches and suspected breaches of this Code
- Include appropriate clauses in trade contracts to prevent bribery

BRIBERY ACT 2010

11. There are four key offences under the Act:
    - To offer, promise or give a bribe (Section 1)
    - To request, agree to receive, or accept a bribe (Section 2)
    - Bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business (section 6)
    - A corporate offence of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation (section 7). This applies to local authorities where commercial companies are used to support a function or project and where we trade in commercial terms. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation

What are “adequate procedures”?

12. Whether the procedures are adequate will be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation. It is for individual organisations to determine proportionate procedures in the recommended areas of six principles. The six principles as applied to the Councils are:

    a Proportionate procedures
    Action taken needs to be proportionate to the risks faced relative to the size of the project or subject matter.

    b Top level commitment
    The Executive Board and Members are committed to preventing bribery by persons associated with the Councils. They foster a culture within the organisation in which bribery, corruption or bad business practices are never acceptable.

    c. Risk Assessment
    The Councils assess the nature and extent of their exposure to potential external and internal risks, including bribery, on their behalf by persons associated with them. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

d. **Due diligence**
We apply due diligence procedures, taking a proportionate and risk-based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, to mitigate identified bribery risks.

e. **Communication (including training)**
We seek to ensure that our bribery prevention policies and procedures are embedded and understood throughout the organisation, through internal and external communication, including training that is proportionate to the risks faced.

f. **Monitoring and review**
Recognising that risks and effectiveness may change from time to time, we will monitor, and review procedures designed to prevent bribery by persons associated with the Councils and make improvements where necessary.

Penalties

13. An individual guilty of an offence under sections 1, 2 or 6 of the Bribery Act is liable:

- On conviction in a Magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- On conviction in a Crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

14. Organisations are liable for these fines and if guilty of an offence under section 7 of the Bribery Act are liable to an unlimited fine.

REQUIREMENTS

15. **It is unacceptable to**:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer a payment, gift, or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- Accept payment from a third party that you know, or suspect is offered with the expectation that it will obtain a business advantage for them
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this Code
- Engage in activity in breach of this Code

Facilitation Payments

16. Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials to secure or expedite actions.

Gifts and hospitality and Declarations of Interest

17. This Code is not meant to change any requirements as set out in the Councils' existing Policies and Procedures and should therefore be read in conjunction with the Councils' **Code of Conduct**. Gifts and hospitality, and declarations of interest should be registered online (link).

EMPLOYEE RESPONSIBILITIES

18. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Councils. All employees are required to avoid activity that breaches this Code.

    You must:

    - Ensure that you read, understand, and comply with this Code
    - Raise concerns as soon as possible if you believe or suspect that a conflict with this Code has occurred, or may occur in the future

19. As well as the possibility of civil and criminal prosecution, employees that breach this Code may face disciplinary action, which could result in dismissal for gross misconduct.

RAISING A CONCERN

20. The Councils are committed to ensuring that we all have a safe, reliable, and confidential way of reporting any suspicious activity. We want every employee to know how they can raise concerns.

21. We all have a responsibility to help detect, prevent, and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

22. There are multiple channels to help you raise concerns. Please contact the South West London Fraud Partnership on 020 8871 8383 or swlfp@richmondandwandsworth.gov.uk.

    Alternatively, please refer to the Councils' Whistleblowing Code.

23. Preferably the disclosure will be made and resolved internally (e.g., to the South West London Fraud Partnership or if you are a councillor, you may report any occurrence to the Leader of the Council). If internal disclosure proves inappropriate, concerns can be raised with the regulator (Department for Business & Trade):

    Blowing the Whistle to a Prescribed Person

24. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

ANONYMITY

25. Concerns can be raised anonymously. If an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have clearly defined procedures for investigating fraud, misconduct, and non-compliance issues and these will be

followed in any investigation of this kind. However, this is easier and quicker if concerns raised are not anonymous.

26. Employees who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing, can understandably be worried about the repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this Code, even if they turn out to be mistaken.

27. We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

28. If you have any questions about these procedures, please contact the South West London Fraud Partnership on 020 8871 8383 or swlfp@richmondandwandsworth.gov.uk.

OTHER RELEVANT POLICIES AND LINKS

- Bribery Act 2010
- Procurement Act 2023
- Anti-fraud and anti-corruption strategy

Anti-Money Laundering Code

Date of implementation: 1 October 2021

Updated October 2024

Due to be reviewed: 1 October 2027

STATEMENT

1. The Councils will take all reasonable steps to prevent their systems and processes being used for money laundering.

INTRODUCTION

2. Money laundering is a series of processes designed to disguise or convert illegally obtained cash or assets (proceeds of crime) so that they appear to have come from a legitimate source. Individuals and organisations can commit offences if they possess, convert, transfer, or conceal those proceeds of crime. Criminals could launder illicitly obtained funds through the councils in several ways. For example: by making large payments in cash, such as for business rates, council tax or when purchasing assets.

3. Anyone who becomes involved with an activity which they know, or have reasonable grounds to suspect, is related to the proceeds of crime, may be guilty of money laundering.

4. Money Laundering is a criminal offence, and it is the responsibility of the Councils and Council officers to take reasonable precautions to prevent their involvement in money laundering, either knowingly or as a result of inaction.

5. The Councils' Code is to do all they can to prevent the Councils and their staff being exposed to money laundering, identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially regarding the reporting of actual or suspected cases. Internal procedures will be proportionate and cost effective.

6. This Code has been adopted in order to introduce safeguards to help identify and report on instances where money laundering is suspected.

SCOPE OF THE CODE

7. This Code provides a coherent and consistent framework to enable employees to understand and implement arrangements to ensure compliance with anti-money laundering legislation. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

8. This Code applies to all the councils' activities their personnel, including those permanently employed, temporary staff, agency staff, contractors, Members (including independent members), volunteers and consultants.

9. It is important that all employees are familiar with their responsibilities as serious criminal sanctions may be imposed for breaches of anti-money laundering legislation. Failure by any member of staff to comply with this Code may lead to prosecution and disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the councils' disciplinary procedures.

10. Whilst it is stressed that the risk to the Authority is low, it is extremely important that all staff are familiar with their legal responsibilities as serious criminal sanctions may be imposed for breaches of the legislation. The key requirement for staff is to:

11. **Promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (see point 18, below)**.

MONEY LAUNDERING REGULATIONS

12. The legislation and regulations which embody the UK anti-money laundering regime and failure to prevent fraud are contained in the following:

- The Proceeds of Crime Act 2002 (POCA), as amended by the Serious Organised Crime and Police Act 2005 (SOCPA) and relevant statutory instruments
- The Terrorism Act 2000 (TA 2000), as amended by the Anti-Terrorism Crime and Security Act 2001 (ATCSA) and the Terrorism Act 2006 (TA 2006) and relevant statutory instruments
- The Money Laundering Regulations 2007 (2007 Regulations) as amended by the Money Laundering Regulations 2012.
- The Economic Crime and Corporate Transparency Act 2023, section 199 “failure to prevent fraud” offence.

13. This Code also draws on the Anti-Money Laundering Practical Guidance for Public Service Organisations published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

MONEY LAUNDERING DEFINITION AND DESCRIPTION OF OFFENCES

14. Money laundering is defined as the process of moving illegally acquired cash through financial systems so that it appears to be from a legitimate source. It is interpreted very widely and includes possessing, or in any way dealing with, or concealing, the proceeds of any crime.

15. The main offences relating to money laundering established by Part 7 (sections 327-329) of Proceeds of Crime Act 2002 (the POCA) are:

- Concealing, disguising, converting, transferring, or removing criminal property from the UK (S.327 POCA). Concealing is where someone knows or suspects a case of money laundering, but conceals or disguises its existence
- Being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property (S.328 POCA)
- Acquiring, using, or possessing criminal property (S.329 POCA).

16. Other offences under POCA are:

- Failure to disclose money laundering offences (s.330-332)
- Tipping off a suspect, either directly or indirectly (s.333)
- Doing something that might prejudice an investigation (s.342)

17. All of the above money laundering offences may be committed by an organisation or by the individuals working for it if they suspect money laundering and either become involved with it in some way and/or do nothing about it. **The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.**

MONEY LAUNDERING REPORTING OFFICER (MLRO)

18. The officer nominated to receive disclosures about money laundering activity within the Council is the Director – Financial Services, whose contact details are as follows:

    Director – Financial Services
    Wandsworth Town Hall
    Wandsworth High Street
    London
    SW18 2PU
    Tel: 020 8871 6402

19. In the absence of the MLRO, the Assistant Director – Fraud (SWLFP), Risk & Insurance is authorised to deputise.

RECOGNISING MONEY LAUNDERING

20. At all times employees should:
    - Be wary of unusually large cash transactions
    - Be wary of the absence of an obvious legitimate source of funds
    - Be alert to the possibility of money laundering by a client or a prospective client

21. Any employee who knows of or suspects a money laundering activity, must immediately report it to the MLRO, preferably by using the money laundering form attached (Appendix A). **Please note that a failure to immediately report to MLRO may result in a criminal offence.**

22. The National Crime Agency (NCA) has produced a list of possible "indicators of suspicion" for money laundering activity:
    - Is the person's behaviour unusual in the circumstances?
    - Has the person refused to supply any form of identification, and if so, why?
    - Is the activity unusual in itself?
    - Is the activity unusual for the customer?
    - Do I have other knowledge which leads me to believe the customer or activity is criminal?
    - Do I think the property may have been obtained through criminal conduct?

23. The following examples may indicate money laundering activity:
    - Payment of a substantial sum in cash (over £5000) by a single client in a single transaction or over a short period of time. As a rule, to the staff in the councils who collect cash payments, they are asked to provide the details of any cash transactions of over £5000 to the MLRO so that precautionary checks can be performed.
    - Overpayments or duplicate payments made by a client followed by a refund, or a request for a refund
    - Right to Buy property sold before expiry of discount period
    - Purchase of land and buildings re-sold within 3 -12 months
    - Purchase of council assets re-sold within 3 months

ACTIONS TO TAKE FOR SUSPECTED MONEY LAUNDERING

24. Any knowledge or suspicion must be reported to the MLRO by using the appropriate money laundering form (Appendix A) or contacting MLRO directly, even if the employee believes that the same money laundering activity has already been reported. Disclosure should be within hours, not weeks or months. If this is not the case, then the employee may be liable to prosecution.

25. Reports can be made from staff, members of the Councils, contractors, the public, or any other related party or partner.

26. After reporting:

- The employee must follow any subsequent directions of the MLRO and must not themselves make any further enquiries into the matter. They must not take further steps in any related transaction without authorisation from the MLRO.
- The employee must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must also not discuss the matter with others as this can result in "tipping off" the suspect
- The employee should not record on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation and could constitute a tip off.

27. Employees should be aware that:

- Ignoring the obvious can be considered a criminal offence.
- A reasonable cause for knowledge or suspicion of money laundering offence will be required. Speculation or gossip is unlikely to be sufficient to allow an investigation.
- The size or significance of the money laundering offence is irrelevant as money laundering covers the proceeds of any crime, no matter how minor and irrespective of the size of the benefit gained.

HIGH RISK AREAS

28. High risk areas are mainly accountancy, audit services and certain financial, company and property transactions undertaken by Legal Services.

29. In order to minimise the risk of money laundering when dealing in high-risk areas, or where customers or clients meet any of the following criteria, an Identification Procedure must be followed before any business is undertaken with that organisation or person:

- Undertake a one-off transaction involving payment by or to the client of 10,000 Euro (approximately £8,500) or more
- Undertake a series of linked one-off transactions involving total payment by or to the client of 10,000 Euro (approximately £8,500) or more
- It is known or suspected that a one-off transaction (or a series of them) involves money laundering

IDENTIFICATION PROCEDURE AND CUSTOMER DUE DILIGENCE

30. Where the criteria of paragraph 29 above have been met, the Councils should carry out identification procedure to obtain satisfactory evidence of clients' identity. This should be done as soon as practicable after instructions are received (unless evidence has already been obtained) and no dealings should take place until this has been completed. This applies to all business entered after 1st March 2004.

31. Satisfactory evidence is evidence which establishes that the client (company and/or person) is who they claim to be. This can include some of the following:
    - Signed, written instructions on official letterhead at the outset of the dealings, which confirms the company name and location
    - Verification of company registration and VAT numbers, website details and registered office address
    - Proof of personal identification, if dealing with an individual, through meeting the client in person and verifying their identity against the passport or photo-card driving licence. This requires the person verifying the passport etc to be trained to recognise forged documents. If you are not able to recognise a forgery or otherwise unsuitable document, you should not use this method of identification.

32. Internal Audit can give further advice on what the Councils consider satisfactory evidence.

33. Copies of the evidence obtained should be retained by the individual undertaking the Identification Procedure.

ACTIONS OF THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

34. Upon receipt of the reporting form, the MLRO will:
    - Advise the reporting employee of the timescale within which he expects to respond
    - Consider the form and any other available internal information he thinks relevant
    - Undertake such other reasonable inquiries as he thinks appropriate
    - Seek specialist legal and financial advice (if necessary)
    - Promptly evaluate any disclosure report, to determine whether it should be reported to the National Crime Agency (NCA) by way of a Suspicious Activity Report (SAR) (form can be located on the NCA website)

35. The MLRO, must, if they so determine, promptly report the matter to NCA on their standard report form and in the prescribed manner.

36. The MLRO will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made, that another person is engaged in money laundering, and they do not disclose this as soon as practicable to the NCA.

RECORD KEEPING PROCEDURE

37. Where the Councils deal with high-risk areas the client identification evidence and details of the relevant transaction(s) for that client will be retained for at least five years and in accordance

with Councils' other procedures. This retention can be in an electronic format (e.g. scanned documentation) as long as it is available for inspection with sufficient notice.

GUIDANCE AND TRAINING

38. The Councils will take all necessary steps to communicate this Code and train their staff in relation to identification and prevention of money laundering offences. Specific training will be provided in areas at high risk of money laundering.

Please always refer to the Loop for the latest version of this document

Appendix A

CONFIDENTIAL

Report to Money Laundering Reporting Officer

Reporting of Money Laundering Activity

To: …………………………………………………………………………...........................

[Money Laundering Reporting Officer or Deputy]

From: ………………………………………………………………………….......................

[insert name of employee]

Directorate: ………………………………………………………………………………………

[insert post title and Business Unit]

Ext/Tel No:……………………………………………………………………………………….

URGENT YES/NO

Date by which response needed:……………………………………………………………..

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:

[if a company/public body please include details of nature of business]

Nature, value, and timing of activity involved:

[*Please include full details e.g., what, when, where, how. Continue on a separate sheet if necessary]*

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

Yes/No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes/No

If yes, please specify below, explaining why such discussion was necessary:
Have you consulted any supervisory body guidance re money laundering? (e.g., the Law Society)

Yes / No

If yes, please specify:

Do you feel you have a reasonable excuse for not disclosing the matter to National Crime Agency? (e.g. are you a lawyer and wish to claim legal professional privilege?

Yes /No

If yes, please set out full details below:

Please set out below any other information you feel is relevant:

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received: …………………………………………………………………

Date receipt of report acknowledged: ………………………………………………..

CONSIDERATION OF DISCLOSURE:

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

[Please tick the relevant box]

If there are reasonable grounds for suspicion, will a report be made to the NCA?

Yes/No

If yes, please confirm date of report to NCA:

[Please complete the details below]

Details of liaison with the NCA regarding the report:

Notice Period: ………………………………. to ………………………………………….

Moratorium Period: ……………………..…. to ………………………………………….

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes/ No

If yes, please confirm full details below:

Date consent received from NCA: ……………………………………………………….

Date consent given by you to employee ………………………………………………….

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to employee for any prohibited act transactions to proceed:

……………………………………………………………………………………….

Other relevant information:

Signed:………………………………………………**Dated**:………………………..

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

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PAPER NO. 24-312

WANDSWORTH BOROUGH COUNCIL
AUDIT COMMITTEE – 7th November 2024

Report by the Head of Audit on progress made in dealing with the main governance issues including internal control issues arising in 2024/25 and previous years.

SUMMARY

At their previous meeting on 10th July 2024, the Audit Committee carried out their annual review of the Council's governance arrangements, including internal control. This was based upon the review by the Council's Head of Audit, the Director of Financial Services, as reported to the Committee (Paper No. 24-191). The Committee considered and approved the proposed Annual Governance Statement for 2023/24 that will be published with the Council's Accounts.

This report sets out progress in implementing the key governance and internal control issues identified in Paper No. 24-191 and provides details of any key governance and internal control issues encountered in 2024/25 to date.

The Council has made some progress in implementing those issues raised in the 2023/24 Annual Governance Statement which has led to an improvement in the assurance level for a number of service areas which had previously received a limited or no assurance opinion.

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
DMO	Devolved Management Organisation
FTE	Full Time Equivalent
GDPR	General Data Protection Regulation
ICT	Information and Communication Technology
ISO	International Organisation for Standardization
Ofsted	Office for Standards in Education
RMO	Resident Management Organisation
BSP	Better Service Partnership
SWLFP	South West London Fraud Partnership

Progress on governance arrangements

RECOMMENDATIONS

1. The Audit Committee are recommended to:

    a) Note the progress against the 2024/25 internal audit plan.

    b) Note new Priority 1 recommendations and progress on implementation of previously reported Priority 1 recommendations.

2. If the Audit Committee decide that recommendations need to be made on any issues identified in this report, these will be reported to the Executive, Council and/or other committees for consideration.

INTRODUCTION

3. The responsibility for the internal audit function is delegated to the Executive Director of Finance in order to support her statutory duties under S151 of the Local Government Act 1972.

4. To enable Members and the Executive Director of Finance to effectively discharge their responsibilities in relation to the internal audit function, it is essential that audit performance is monitored, and the Audit Committee assists in the promotion of internal control within the authority.

5. On 10th July 2024, the Audit Committee carried out the Members' annual review of the Council's governance arrangements for 2023/24 including internal control based upon the review carried out by the Head of Audit as reported in Paper No. 24-191.

6. The Audit Committee agreed the Audit Plan for 2024/25 at its meeting on 12th March 2024. Internal audit has been carrying out audit work in accordance with the plan, and this report summarises progress until 30th September 2024.

7. Audit assignments have been followed-up in accordance with Internal Audit protocols involving obtaining evidence to support implementation of recommendations, reviewing new sources of internal and external assurance, and additional audit review and testing where necessary. Key issues have been discussed with each of the seven Directors' Management Teams and with Directors.

8. This report provides an opportunity to apprise the Audit Committee of the main governance issues including internal control arising from audit activity carried out in 2024/25 to date. This will afford the Committee greater opportunity to focus on any further 2024/25 issues during their statutory review of internal control later this year, having considered some of the in-year issues at this meeting.

9. Internal audit applies a risk-based audit approach to audit work, identifying key risks with the relevant manager, then identifying and testing controls in

place to manage those risks. A formal overall conclusion is then reached as to whether a sound system of internal control is being maintained.

10. Each audit is given an opinion based on four levels of assurance depending on the conclusions reached and the evidence to support those conclusions. Members and management should note that the assurance level is an opinion of controls in operation at the time of the audit. The auditor will agree recommendations with management, which, when implemented, will result in a reduction of the exposure to risk. Each recommendation is given a priority ranking and an implementation date and these are monitored on a regular basis by the Internal Audit Team. Priority 1 recommendations are defined as being those where major issues have been identified for the attention of senior management. For definitions, see below:-

Levels of assurance	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority of recommendations	
1	Major issues that we consider need to be brought to the attention of senior management and should be implemented within 3 months.
2	Important issues which should be addressed by management in their areas of responsibility to avoid exposure to significant risk and should be implemented within 6 months.
3	Minor issues where the risk is low. Action is advised to enhance control or improve operational efficiency.

PROGRESS ON THE ITEMS INCLUDED IN THE COUNCIL'S ANNUAL AUDIT PLAN 2024/25

11. On 12th March 2024, the Committee approved the Council's Annual Audit Plan for 2024/25 (Paper No. 24-111). Progress against the 2024/25 plan for the Wandsworth, as at 30th September 2024, is as follows:

Progress on governance arrangements

Table 1: Progress against the Plan

Reviews*	No. of Audits
Reviews in original plan	76
Reviews added	6
Reviews cancelled, replaced or moved to 2024/25	3
Total	**79**
Reviews finalised/completed	23
Reviews at draft report stage	0
Reviews in progress/on-going	26
Reviews booked to start/planned	12
Reviews not yet started	18
Total	**79**

Days	No. of Days
Planned Days	1610
Delivered Days as at 30/09/2024	740

*(*includes individual pieces of work that don't result in a formal report e.g. grant sign off work)*

12. The agreed deliverable audit days for the BSP commissioned from the shared audit service for 2024/25 were 1610 days.

13. At the time of this report, approximately 46% of the BSP audit plan has been completed on the basis of number of days delivered. This compares to 47% reported to Committee around the same time last year. The total number of pieces of audit work which are at final stage is 23 with 26 currently in progress, compared to 26 at draft/final or work in progress stage at this time last year. A further 30 pieces of work have been planned to start in quarters 3 or 4. Three audits have been cancelled, rolled forward to 2025/26 or replaced and a further 6 unplanned audits have been added to the plan this year.

14. Appendix 2 details the 2024/25 Internal Audit Plan for the Wandsworth and shows the status of work to date with the assurance level for completed audits along with any audits that have been added or cancelled.

15. The audit plan must remain flexible and be able to respond to changes to the risk landscape and operational changes to audit areas during the year. Internal audit visits Directorate Management Team (DMT) meetings at least three times throughout the year to discuss progress against the plan and to review the audits which are still to be undertaken to ensure they are still relevant and timely.

REPORTS FINALISED SINCE THE LAST AUDIT COMMITTEE WITH SIGNIFICANT CONTROL WEAKNESSES

16. One audit has been given Limited Assurance opinions since the last report to the Audit Committee on 10th July 2024. The significant issues identified for the audit resulting in Priority 1 recommendation were:-

<u>Housing and Regeneration:</u>

All Saints Co-op; *Limited Assurance – issued September 2024 (1 x P1 and 7 x P2 recommendations)*

Rent Arrears - In accordance with the Service Level Agreement, the Co-op is required to follow the Council's Rent Arrears Policy. However, the Co-op does not follow the policy due to the rapport that they have with their residents and instead follows an informal (undocumented) policy that includes 1 letter after 6 weeks in arrears, another letter 4 weeks after and then a third letter another 4 weeks later which is handed in person. The agreement also states that after 8 weeks in arrears, the co-op should hand back the outstanding tenant rents to the Council for further pursue.

The Co-op has 23 tenanted properties, of these there are currently 11 accounts in arrears, five of which are in arrears of more than eight weeks ranging from 14 to 56 weeks.

Property	Weekly Rent	Weeks in Arrears	Total Arrears
1	£149.89	56	£8,485.80
2	£114.53	42	£4,844.95
3	£114.53	29	£3,333.47
4	£140.52	27	£3,810.43
5	£272.26	14	£3,720.77

Risk; Delays in collecting the outstanding rent income may result in financial loss for the Council.

17. Since the last report to the Audit Committee on 10th July 2024, two audits have been given Reasonable Assurance but contained Priority 1 recommendations that the Audit Committee should note. The significant issues identified for these audits:-

<u>Housing and Regeneration:</u>

Patmore Co-op; *Reasonable Assurance – issued May 2023 (1 x P1 and 5 x P2 recommendations)*

Contracts - Section 43a of the Rules of Patmore Co-op states the Co-op can "enter into any contracts and settle the terms thereof".

A tender exercise should be carried out on all contracts to ensure best value has been achieved. Arrangements should be in place for retendering where expiry dates are due in the next 3 to 6 months to ensure continuity of service. Contracts should not be run in perpetuity.

Progress on governance arrangements

The Council minimum requirement for public liability insurance cover is £5 million and professional indemnity insurance cover is £2 million. From the review of contractor arrangements, Internal Audit identified the following:

- A tender exercise has not been carried out since 2018 for cleaning and ground maintenance.
- A tender exercise has not been carried out for nearly 20 years for external audit services which is currently held by Evelyn and Partners. The same company also provides financial services.
- Evelyn and Partners professional indemnity insurance cover is £100,000.

Risk; Where a contract is run in perpetuity there is a risk of not achieving value for money by not regularly retendering.

Where the minimum insurance cover is not held by contractors it could have a significant effect on the Co-op's finances if they were to be liable for any claims through negligent advice/service.

Adult Social Services & Public Health:

Residential & Nursing – Care UK; *Reasonable Assurance – issued October 2024 (1 x P1 and 2 x P2 recommendations)*

Funded Nursing Care is a weekly payment the NHS pays to nursing homes towards their costs of providing nursing care to residents (which can be between £235.88 and £324.50 a week per person). In accordance with the Care UK contract, the provider is obliged to collect the funding on behalf of the Council from NHS South West London Integrated Care Board. The Council pay Care UK gross for the funded nursing care, who then claim the funding from the NHS Board and reimburse the Council via a credit note.

Presently, there is no process in place ensuring that the Council is being reimbursed for all funded nursing care beds.

Risk; Where there is no process in place for ensuring all income owing to the Council is paid, there is a risk of a loss of income and any discrepancies not easily identified and action taken.

18. Appendix 2 (Recommendation Tracker) details the recommendations made for the above audits.

PROGRESS ON NO ASSURANCE AND LIMITED ASSURANCE AUDITS 2024/25 AND OVERDUE RECOMMENDATIONS FROM PRIOR YEARS' AUDITS

19. The detail and status of all Priority 1 recommendations that are yet to be implemented are recorded in Appendix 2 (Recommendation Tracker). This also provides details of any overdue Priority 1 recommendations.

20. Table 2 below summarises the No Assurance and Limited Assurance audits together with the number of Priority 1 and Priority 2 recommendations made

in 2024/25. It also records the number of recommendations not due yet and those overdue.

Table 2 – Progress on 2024/25 Audits with Limited/No Assurance Audit Opinion

Audit	Year	Assurance	Recs Made		Recs Not Due Yet		Recs Overdue	
			P1	P2	P1	P2	P1	P2
Housing & Regeneration								
All Saints Co-op	24/25	Limited	1	7	1	7	0	0

Table 3 summarises overdue Priority 1 and Priority 2 recommendations from prior years' audits (2021/22, 2022/23 and 2023/24) where Limited or No Assurance opinions were given.

Table 3 Prior Year Audits with Overdue Recommendations

Audit	Year	Assurance	Recs Made		Recs Overdue	
			P1	P2	P1	P2
Chief Executive's						
Storage of Deeds & Contracts	21/22	Limited	2	4	1	0
Childrens' Services						
Bradstow school	23/24	No Assurance	8	13	0	0
*St Josephs RC Primary**	23/24	Limited	2	20	0	7
Housing & Regeneration						
Fire Safety	22/23	Limited	1	3	0	1
Wimbledon Park Co-op (Western Area - 280 units)	23/24	Limited	5	5	0	3
Finance						
Corporate Health and Safety	23/24	Limited	1	4	0	1
Change and Innovation						
Third Party Risk Management	23/24	Limited	3	0	1	0

**St. Joseph's RC Primary has been revisited in September 2024, and the open management actions from the last year's audit are currently getting addressed.*

FRAUD INVESTIGATION AND PREVENTION

21. One of the responsibilities of the Committee is to maintain an overview of the effectiveness of the Council's arrangements for corporate governance, particularly those concerned with risk management, internal control, financial governance, treasury management, and counter fraud and corruption;

obtaining assurance that appropriate action is being taken on any issues raised.

22. Members and officers recognise that the funds the Council administers and services it provides are targeted by fraudsters, and support the fight against Fraud and Corruption through an anti-fraud strategy and culture that seeks to:

- Have robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.
- Acknowledges and understands fraud risks and commits to support and resource tackling fraud through maintaining a robust anti-fraud response.
- Prevent and detect more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.
- Prioritises fraud recovery and the use of civil sanctions. Developing capability and capacity to punish fraudsters. Supports collaborative work across geographical sector boundaries. Learning lessons and reducing fraud risks where possible.
- Protect ourselves, residents, and service users from becoming disadvantaged by those seeking to commit fraud through recognising the harm that fraud can cause in the community and seeking to minimise this.

23. The Council has made suitable arrangements for the investigation of allegations of fraud and irregularity by entering a shared fraud investigation service. All officers are members of the Government Counter Fraud Profession (GCFP) which helps ensure investigative techniques are both current and legally compliant, helping to sustain capability.

24. Members can be reasonably assured that there are suitable systems in place for the identification and investigation of allegations of fraud. A good number of referrals are received from in-house teams which is a good indication that a reasonable level of fraud awareness exists across all Council staff supported by the Council's Anti-Fraud and Anti-Corruption Strategy and culture.

25. **Fraud Risk Threat:** The Fraud Risk Threat remains substantial at a level where fraud is the largest reported crime type. The current financial climate also has an impact on those who are willing to commit fraud with an increase in those who commit fraud because of a need rather than pure greed, wrongly believing that their actions cause little physical harm to others.

26. The acceptance that we cannot just investigate our way out of fraud has been reflected within the indicative fraud plan with an increased level of resource been set aside for fraud prevention work. Fraud functions continue to work closely with Internal Audit who provide assurance over the effectiveness of the Councils control environment. These arrangements should ensure that the Council is well placed to meet the challenge of the new corporate offence on 'Failure to Prevent Fraud' that is included within the new Economic Crime and Transparency Act.

27. The information provide in Table 3 below is intended to provide the Committee with assurance over the arrangements for protecting the Council, it's residents and service users against fraud and corruption. Where needed criminal and/or civil action is progressed in response to fraud, which helps demonstrate the extent of sanctions and restitution that the Council will pursue in support of its zero-tolerance approach to fraud, and to discharge its duty to protect public funds.

Table 3 Summary of Fraud Referrals and Outcomes

Fraud Type/Outcome	2022/23	2023/24	2024/25 (to Sept 24)
Referrals worked in period for investigation by type:			
- Tenancy fraud/abuse	440	334	282
- Right to Buy	33	28	15
- Parking Permit Fraud	189	154	93
- Employee/Internal	22	21	13
- Other External (e.g., SPD, School Placements, Direct Payments	70	36	21
Total referrals in period	754	573	424
Closed in period			
- Closed no fraud	298	249	133
- Closed with sanction	237	134	84
Referrals still under investigation	219	190	207

28. **Local Government Transparency Code**. Under the code the Council is required to publish the following data regarding its Fraud Investigation activity 2024/25 figures to 30 September (with 2023/24 full year equivalent figures), shown below.

Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers		
	23/24	24/25 To 30/09/24
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	16	13
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	6	2

Progress on governance arrangements

Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud and fraud prevention activities		
	Absolute	FTE
Fraud Investigation - SWLFP #	15 (15)	14.5 (14.5)
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists		
Government Counter Fraud Profession (GCFP)	12 (11)	11.5 (10.5)
GCFP Counter Fraud Investigator Apprentices	3 (3)	3.0 (3.0)
Total amount spent by the authority on the investigation and prosecution of fraud		
	23/24	24/25
Fraud Investigation, awareness & prevention	£323.3k	£340.4k
Total number of fraud cases investigated.	Full Year	To 30/09/24
Housing/Tenancy related Investigations	334	282
Right to Buy	28	15
Permit Fraud Investigation	154	93
Other Investigations	57	34
TOTAL	573	424

STANDARDS AND PERFORMANCE

29. The Council has a statutory duty under the Accounts and Audit Regulations 2011 (“the Regulations”) to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices and has a corresponding right of access to officers and members and to documentation, information and explanations necessary for the purpose of the audit. Furthermore, the Internal Audit Service has continued to co-ordinate the production of the Annual Governance Statement.

CONCLUSION

30. Progress has been made to strengthen internal control however further action is required in order to establish effective controls for a number of service areas.

The Town Hall
Wandsworth
SW18 2PU

P.GUILLIOTTI
Director of Financial Services

7th November 2024

(***Paper No. 24-312)***

Background papers

No background papers were used in the preparation of this report.

All reports to Overview and Scrutiny Committees, regulatory and other committees, the Executive and the full Council can be viewed on the Council's website (www.wandsworth.gov.uk/moderngov) unless the report was published before May 2001, in which case the Democratic Services Officer (Marianna Ritchie – 020 8871 8352; email: marianna.ritchie@richmondandwandsworth.gov.uk) can supply it if required.

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APPENDIX 1

PROGRESS ON OPERATIONAL AUDIT PLAN 2024/25 AS AT 30 SEPTEMBER 2024

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
SSA	Adult Social Services & Public Health	Audit	Front Door Service		Not Started					Planned for Q4
WBC	Adult Social Services & Public Health	Audit	Preparing for Adulthood (Transitions)		Booked					Booked for Q3
SSA	Adult Social Services & Public Health	Audit	KITE - Keep Independent through Enablement		Final	Substantial Assurance	0	1	0	
SSA	Adult Social Services & Public Health	Audit	Supported Living		Fieldwork					
SSA	Adult Social Services & Public Health	Audit	Residential & Nursing – Care UK		Final	Reasonable Assurance	1	2	0	
SSA	Adult Social Services & Public Health	Audit	Financial Assessments		Final	Reasonable Assurance	0	3	0	
SSA	Adult Social Services & Public Health	Audit	Client Financial Affairs		Fieldwork					
SSA	Adult Social Services & Public Health	Audit	Personal Budget/Direct Payments		Booked					Booked for Q4
SSA	Audit Management	Audit Management	Audit Management & Assurance		On-going					

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
SSA	Audit Management	Audit Management	Audit Planning / Monitoring		On-going					
SSA	Audit Management	Audit Management	Advice & Information		On-going					
SSA	Audit Management	Audit Management	PSIAS Quality Assessment		On-going					
SSA	Change and Innovation	Audit	Change Programme		Not Started					Planned for Q4
SSA	Change and Innovation	Advisory Engagement	Leadership structure change		Not Started					Planned for Q4
SSA	Change and Innovation	Audit	Information Security		Planning					
SSA	Change and Innovation	Audit	IT Network Security		C/Fwd					The client has requested to postpone the planned audit to the next financial year due to the substantial changes in the network architecture.
SSA	Change and Innovation	Audit	Data Management and Governance		Booked					Planned for Q3
SSA	Change and Innovation	Audit	Payroll Audit		Booked					Booked for Q3
SSA	Change and Innovation	Follow up	IT Follow Up Audits		On-going					
SSA	Chief Executive's Group	Audit	Climate Change & Sustainability		Final	Reasonable Assurance	0	3	2	
SSA	Chief Executive's Group	Audit	Information Governance (GDPR - Accountability Obligations) Self-Assessment		Not Started					Planned for Q4

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
SSA	Chief Executive's Group	Advisory Engagement	Corporate Project Office		On-going					
WBC	Chief Executive's Group	Audit	Planning / Development Management		Fieldwork					
SSA	Chief Executive's Group	Audit	Pool Car Audit	Addition	Fieldwork					Additional review on the usage of the Council's vehicles
WBC	Children's Services	Audit	Transitions into Adulthood		Fieldwork					
WBC	Children's Services	Audit	Children's Safeguarding		Final	Reasonable Assurance	0	1	0	
WBC	Children's Services	Audit	Children Looked After		Final	Substantial Assurance	0	0	1	
WBC	Children's Services	Audit	Supporting Families		On-going					
WBC	Children's Services	Audit	Effectiveness of hybrid / agile working		Not Started					Planned for Q4
WBC	Children's Services	Audit	Special Educational Needs & Disabilities (SEND) Transport		Not Started					Planned for Q4
WBC	Children's Services	Audit	Schools End of Year Round Up		Not Started					Planned for Q4
WBC	Children's Services	Audit	Balham Nursery School		Not Started					Planned for Q4
WBC	Children's Services	Audit	Granard Primary		Final	Substantial Assurance	0	4	0	
WBC	Children's Services	Audit	St John Bosco RC Secondary		Fieldwork					
WBC	Children's Services	Audit	Eastwood Nursery School		Final	Substantial Assurance	0	1	0	

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
WBC	Children's Services	Audit	Penwortham Primary		Fieldwork					
WBC	Children's Services	Audit	Trinity St Mary's CE		Not Started					Planned for Q4
WBC	Children's Services	Audit	Greenmead PH		Final	Reasonable Assurance	0	4	2	
WBC	Children's Services	Audit	Albemarle		Booked					Booked for Q3
WBC	Children's Services	Audit	Ronald Ross		Booked					Booked for Q3
WBC	Children's Services	Audit	Falconbrook		Final	Substantial Assurance	0	7	0	
WBC	Children's Services	Audit	St Boniface Primary		Booked					Booked for Q3
WBC	Children's Services	Audit	Victoria Drive Pupil Referral Unit		Final	Substantial Assurance	0	6	2	
WBC	Children's Services	Audit	St Joseph's Primary School	Addition	Fieldwork					Additional school review
SSA	Corporate	Audit	Artificial Intelligence		Not Started					Planned for Q4
SSA	Corporate	Audit	Contract Management		On-going					
SSA	Corporate	Audit	Shared Services (including Partnerships)		Not Started					On hold - awaiting reply from LBR Audit, Standards and Statutory Accounts Committee
SSA	Environment and Community Services	Audit	Flood Risk Management		Final	Substantial Assurance	0	0	1	
SSA	Environment and Community Services	Audit	Emergency Planning		Booked					Booked for Q3
WBC	Finance	Audit	North East Surrey Crematorium Board		Final	Reasonable Assurance	0	1	0	

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
SSA	Finance	Audit	Main Accounting System (General Ledger)		Not Started					Planned for Q4
SSA	Finance	Audit	Debtors/Accounts Receivable		Booked					Booked for Q3
SSA	Finance	Audit	Treasury Management		Booked					Booked for Q3
SSA	Finance	Audit	Health and Safety External Environment		Not Started					Planned for Q4
SSA	Finance	Advisory Engagement	Council Tax Change Programme		Not Started					
SSA	Finance	Audit	Duplicate Payments		On-going					
SSA	Finance	Audit	Shared Pension Service		Final	Substantial Assurance	0	1	0	
SSA	Finance	Audit	Corporate Procurement		Not Started					Planned for Q4
SSA	Finance	Audit	NNDR		Final	Reasonable Assurance	0	2	1	
SSA	Finance	Audit	Housing Benefit & Council Tax Reduction		Final	Reasonable Assurance	0	2	0	
SSA	Finance	Other Work	Procurement Card Approvals		On-going	N/A				
WBC	Finance	Audit	Western Riverside Waste Authority		Final	Substantial Assurance	0	0	2	
SSA	Finance	Audit	Safer Neighbourhood Board		Not Started					Planned for Q4
SSA	Finance	Audit	Voluntary & Community Accounts	Addition	Fieldwork	N/A				Additional review requested by Financial Control.
SSA	Finance	Advisory Engagement	Parking system upgrades		Replaced					Advisory Engagement - Project ended in April 2024
SSA	Finance	Advisory Engagement	Charity Governance Review		Not Started					Planned for Q4

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
SSA	Finance	Audit	Compliance with the Pensions Regulator's single code of practice		Final	Reasonable Assurance	0	2	3	
SSA	Finance	Advisory Engagement	Capital Budgeting and Accounting		Cancelled					The engagement was replaced with the Parking Consultancy assignment
SSA	Finance	Other Work	Accounts Payables - Continuous auditing	Addition	On-going					
SSA	Finance	Advisory Engagement	Parking Advisory	Addition	On-going					Additional review requested by Finance.
SSA	Follow up and Contingency	Follow up	Follow up work		On-going					
SSA	Follow up and Contingency	Other Work	Contingency		On-going					
WBC	Housing and Regeneration	Audit	Housing Compliance Team (Compliance with Statutory Maintenance for Council Housing)		Not Started					Planned for Q4
WBC	Housing and Regeneration	Audit	Patmore Co-op		Final	Reasonable Assurance	1	5	1	
WBC	Housing and Regeneration	Audit	All Saints Co-op		Final	Limited Assurance	1	7	1	
WBC	Housing and Regeneration	Independent review	Housing Ombudsman Scheme Compliance	Addition	Fieldwork	N/A				The independent review requested by the Housing and Regeneration Directorate following the Ombudsman's review

Client	Area / Department	Review Type	Review Title	Addition to Plan	Status	Opinion	No. P1s	No. P2s	No. P3s	Comments
SSA	Other Work	Other Work	Completion of old year work		Final					
SSA	Other Work	Other Work	Fraud Liaison		On-going					
SSA	Other Work	Other Work	Information Governance & Information Security Support		On-going					
WBC	Place	Audit	1000 Homes Programme		Fieldwork					
SSA	Risk Management and Assurance Framework	Audit Management	Risk Management		On-going					
WBC	Risk Management and Assurance Framework	Audit Management	Corporate Governance / CIPFA/SOLACE		Final					
SSA	Risk Management and Assurance Framework	Audit Management	Annual Governance Arrangements		Final					

SSA – Shared Staffing Arrangement, refers to both Richmond and Wandsworth Councils
WBC – Wandsworth Borough Council

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APPENDIX 2 to Paper 24/312

MANAGEMENT ACTIONS 2024/25

The table below sets out open key (P1) management actions as of 30th September 2024:

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
Adult Social Care and Public Health	SSA/24-25/041	2024/25	Resident & Nursing - Care UK Contract	**1) Funded Nursing Care** Funded Nursing Care is a weekly payment the NHS pays to nursing homes towards their costs of providing nursing care to residents (which can be between £235.88 and £324.50 a week per person). In accordance with the Care UK contract, the provider is obliged to collect the funding on behalf of the Council from NHS South West London Integrated Care Board. The Council pay Care UK gross for the funded nursing care, who then claim the funding from the NHS Board and reimburse the Council via a credit note. Presently, there is no process in place ensuring that the Council is being reimbursed for all funded nursing care beds. **Risk/Implication** Where there is no process in place for ensuring all income owing to the Council is paid, there is a risk of a loss of income and any discrepancies not easily identified and action taken.	1) To continue to review the process for funded nursing care ensuring the Council receives all income owing and investigate any discrepancies in a timely manner. 2) Going forward, Adult Social Care and Public Health will agree the payment arrangement encompassing the net payment to UK Care or its successor.	Assistant Director of Commissioning	15/10/2024	31/03/2025	
Housing & Regeneration	SSA/24-25/054	2024/25	All Saints Co-Op	**Rent and Services Charges - Rent Arrears** In accordance with the Service Level Agreement, the Co-op is required to follow the Council's Rent Arrears Policy. However, the Co-op does not follow the policy due to the rapport that they have with their residents and instead follows an informal (undocumented) policy that includes 1 letter after 6 weeks in	The Co-op Manager should ensure that the Council's Rent Arrears Policy is followed and ensure all arrears over 8 weeks are handed back to the Council.	All Saints Co-Op Manager	26/09/2024	30/11/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				arrears, another letter 4 weeks after and then a third letter another 4 weeks later which is handed in person. The agreement also states that after 8 weeks in arrears, the co-op should hand back the outstanding tenant rents to the Council for further escalation. The Co-op has 23 tenanted properties, of these there are currently 11 accounts in arrears, five of which are in arrears of more than eight weeks ranging from 14 to 56 weeks. **Risk/Implications** Delays in collecting the outstanding rent income may result in financial loss for the Council.					

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Children's Services	1255/185	2023/24	Bradstow School	**Payroll & Recruitment - Payroll Reconciliations** In chapter 2 of the Financial Management Handbook for Wandsworth Schools, Section 2, Monitoring School, it states "The Council will provide monthly information on employee costs and other direct central charging where the school uses the Council's payroll service or other Council trading account services. This information must be reconciled into the school's financial systems to ensure the accuracy of monthly monitoring.". During the audit, no records were provided to Internal Audit to evidence that payroll reconciliations take place and are authorised monthly. Discussions with the Council's Finance Business Partner - Performance and Stability identified that the school has recently identified multiple employees who are not being paid according to their salary on their contract, however this could have been prevented as it would have been identified if payroll reconciliations were carried out. **Risk/Implications** Where payroll reconciliations are not taking place, there is a risk that errors and or fraud are not identified and that employees are not being paid correctly leading to financial loss to the school.	Payroll reconciliations need to be run on a monthly basis to ensure all employees are being paid accordingly and to identify errors and potential fraud. Where a mistake or error is identified, Payroll need to be contacted in a timely manner to ensure mistakes are corrected. Payroll reconciliations should be countersigned by the Head Teacher.	Director of Infrastructure and Finance	27/03/2024	31/07/2024	31/10/2024
Children's Services	1255/185	2023/24	Bradstow School	**Petty Cash/Pocket Money - Policy for Petty Cash and Pocket Money** The Financial Management	Create a policy and procedure for staff members when dealing with petty cash and pocket money, including but not limited to; • Roles and responsibilities for	Director of Infrastructure and Finance	27/03/2024	31/07/2024	31/10/2024

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				Handbook for Wandsworth School in Chapter 3 section 3.02 states "Petty cash should be held on the Imprest system with reimbursement against properly authorised vouchers. The Imprest system has an adequate amount of cash for expected monthly payments. At the end of the month the petty cash is topped by the amount spent from it. The petty cash in hand should then be equal to the original amount with which the month started." Bradstow provides residential services, with students staying anywhere from 38 to 52 weeks a year. The students have pocket money to spend, and the school uses a large amount of petty cash in each of the seven homes on food, activities, and any needs for the residents. In 2022/23 the school used £150,000-£200,000 on petty cash, the school is unclear of the exact amount. Examination on the use of petty cash and pocket money identified that there is no policy or procedure in place which documents any restrictions on expenditure and any financial limitations on spend. For example, the students are brought presents for Christmas but there is no policy on how much should be spent on each child. It was also identified that reconciliations for petty cash and pocket money are not completed, discussion with the Finance Manager identified that a reconciliation takes place, however after looking at the evidence to support this, it was not clear what money they are reconciling, and it was clear that not all the petty cash and pocket money are being reconciled. This reconciliation also	officers including access to Petty Cash • Any restrictions on expenditure • Financial limitations on spend • Frequency of reconciliations • Process for investigating discrepancies				

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				failed to identify the loss of £700 in December 2023. **Risk/Implications** Where there is no policy or procedure for petty cash or pocket money or a regular reconciliation carried out, there is a risk of misappropriation of funds and inappropriate expenditure leading to financial loss for the school.					
Children's Services	1255/185	2023/24	Bradstow School	**Unofficial Funds - Unofficial School Funds** In accordance with the Financial Management Handbook for Wandsworth Schools, section 3.03, Voluntary Funds, states that "The Head is responsible for the day-to-day financial administration of non-public funds these include: keeping the Governors informed of all non-public funds, the maintenance of accurate financial records and banking arrangements for all non-public funds, managing, monitoring and reviewing the use of the non-public funds, making available the records of non-public funds for internal audit inspection, and presenting annually all accounts of non-public funds, after an independent external audit, to the Governors for their approval". The school fund should be audited on an annual basis as soon as possible after the end of the accounting period. The audited accounts should be presented to the Full Governing Body promptly and the ratification recorded in the minutes of the meeting. Discussions with the Finance Business Partner established that the school does have an unofficial fund in place, however Internal Audit were not provided with any records detailing income and expenditure,	Records should be held evidencing income and expenditure of the school fund. Ensure that the Unofficial Fund is kept separate to the Main Account. Ensure the unofficial school fund is audited annually. The Auditor must be independent of the running of the funds and a competent person to undertake the audit. This must be presented to the Full Governing Body. As stated in the Financial Management Handbook where the school fund is over £10,000 ensure the funds are audited by a qualified accountant or qualified auditor.	Director of Infrastructure and Finance	27/03/2024	31/05/2024	31/10/2024

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				evidence of the separate bank account or the last annual audit. Internal Audit are unaware of the current balance of the unofficial fund. **Risk/Implications** Where records cannot be evidenced and unofficial funds have not been audited, there is a risk that all unofficial income and expenditure has not been fully accounted for or used for the purposes for which it was collected.					
Children's Services	1255/185	2023/24	Bradstow School	**<u>Procurement</u>** **<u>Evidence of Expenditure</u>** The Code of Practise for The Procurement of Goods, Works and Services in section 2 Application of the Code part 2.3 states “Chief officers shall maintain effective systems of internal control including the separation of main functions, the application of operational controls and effective monitoring and management review. These systems shall include provision for the maintenance of proper records throughout the procurement processes and for the retention and safe custody of documents and records”. Examination of 20 transactions, randomly sampled from a report of expenditure from December 2022 – December 2023, six of the transaction sampled were unable to be tested due to missing evidence onsite. Discussions with the Interim Finance Manager and the Director of Infrastructure and Finance identified that evidence of all transactions from the BACS reports 199 and 200 were missing from the school files, this contained evidence of transactions including purchase orders, invoices, quotes and BACs reports detailing number of	All transactions should follow the Code of Practise for Procurement of Goods, Works and Services. The school must ensure that all evidence of transactions is retained. BACS reports should be retained on file. Seek help from the Finance Business Partner to recover missing files for BACs report 199 and 200.	Director of Infrastructure and Finance	27/03/2024	30/04/2024	31/10/2024

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				transactions, supplier names and values. The school were unable to provide the Internal Auditors a copy of the BACS reports to show what expenditure this covered. Both the Interim Finance Manager and the Director of Infrastructure and Finance could not explain where these files are and were unsure on how they went missing. BAC report 199 was identified on the Bank Statement on the 23rd May 2023 and contained £112,162.86 worth of expenditure detail. Examination of the bank statement between January 2023 – January 2024 did not evidence BACs 200 being processed. **Risk/Implications** Where evidence of payment runs is not retained, there is an inadequate audit trail, which could result in errors not being detected and an inability to identify potential misappropriation of funds and inappropriate expenditure.					
Children's Services	1255/185	2023/24	Bradstow School	**<u>Procurement - Authorisation of Purchase orders and Invoices</u>** Having segregation of duties in place when goods and services are being purchased and paid for is a key financial control. Examination of the 14 of the 20 transactions, randomly sampled from a report of expenditure from December 2022 – December 2023, identified that the previous Director of Infrastructure and Finance signed off both the purchase order and the invoice and there was no evidence of who raised the purchase order, as a result there is no evidence that segregation of duties were in place for all 14 of these transactions.	Issue communications to all staff involved in the procurement process to ensure separation of duties between staff responsible for making buying decisions and making payments	Director of Infrastructure and Finance	27/03/2024	30/04/2024	31/10/2024

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				Risk/Implications Where segregation of duties is not in place there is a risk of inappropriate expenditure leading to financial loss for the school or potential fraud.					
Children's Services	1255/185	2023/24	Bradstow School	**<u>Data Protection - User Access</u>** In chapter 9 administrative computer system requirements of the Financial Management Handbook for Wandsworth Schools under section 3 Council Requirements it states, "Users and permission levels should be reviewed at regular intervals; in particular users leaving the school should immediately be deleted from the system.". While reviewing information provided by the school, Internal Audit identified that the previous Director of Infrastructure and Finance, who retired on 30/11/2023, had been copied into emails on the 11/12/2023 and 16/12/2023 pertaining to Bradstow's Recovery Board Meeting actions and another for the agenda of the meeting. Discussions with the Council's Finance Business Partner provided further evidence where the previous Director of Infrastructure and Finance had also been sending emails from his school email and signing them off with his previous job title with the reason given that the officer had requested permission to finish off some work and hand back his laptop after two weeks. However, this request should not have been permitted and his user access should have been removed the day his employment ended at the school, including a return of all school equipment. **Risk/Implications** Where staff who leave still have	With immediate effect, review user and permission levels to ensure no leavers still have access to the school system. Ensure leavers have returned all school equipment and access passes.	Director of Infrastructure and Finance	27/03/2024	30/04/2024	31/10/2024

APPENDIX 2 to Paper 24/312

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				access to the school systems and still retain school hardware there is a risk that unauthorised persons have full access to school information and finance systems leading to potentially fraudulent activity or theft. This could result in an information security breach which could result in a financial penalty being issued resulting in financial loss and reputational damage to the school.					
Housing & Regeneration	1260/121	2022/23	Fire Safety	**Remedial Actions - Overdue Tasks** We also examined a report from Riskbase for every task for High Rise Blocks, and for a total of 5471 tasks, 3869 were Very Overdue, 164 Overdue, 64 in the Future, 76 were Imminent, 24 had No Due Date and 1274 had been Completed. This was every task on Riskbase as of January 2023 and includes FRAs carried out as far back as 2016. **Risk / Implications** Failure to complete required tasks on a timely basis could lead to an increased risk of fire leading to possible harm/death and significant financial cost to repair/replace damaged property. Also, where actions have been taken to complete tasks, but Riskbase has not been updated, the current position cannot be accurately assessed.	Actions identified in FRAs should be completed within the time frame required to reduce the risk of injury/death by fire. Serious tasks should be more robustly monitored to ensure action is taken and the action taken to remind/chase responsible officers should be recorded on Riskbase to provide evidence that monitoring is taking place. Staff should also be reminded to ensure they record all actions on Riskbase and to close tasks when they are completed so that the data available is up to date.	Head of Resident and Estate Services	26/01/2023	31/07/2023	15/05/2024
Environment and Community Services	1256/082	2023/24	Highways Reactive Maintenance	**Contractor management and monitoring** Effective contract management procedures allow contract managers to be able to monitor performance, make timely and fully informed decisions. We reviewed the Contract for the Provision of Highway Traffic and Associated Works that exists between Wandsworth Council and the DSO (Direct Service	Contract managers should: - Document their attendance of bi-weekly meetings with the contractors through minutes/agenda items; - Have agreed KPIs with contractors and monitor against these; and - Use complaints and enquiries data to proactively monitor the contractor work.	Head of Engineering Head of Inspection and Enforcement Head of Direct Services Organisation	09/09/2024	31/12/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				Organisation) and noted that the inclusion of some monitoring procedures within the contract (e.g. regular meetings with the Council). The Head of Engineering attends bi-weekly meetings with the Highways Manager, who represents the DSO ,where progress, performance and issues relating to highway maintenance are discussed. We requested evidence of these meetings and any other contractor monitoring documentation; however, we were unable to obtain the information during the audit. **Risk/Implications** The Council is unaware to what degree the DSO (that completes the on-groundwork in the Borough) is delivering an efficient and effective service.					
Environment and Community Services	1256/082	2023/24	Highways Reactive Maintenance	**Performance reporting** We reviewed the Highway Inspection Procedure (April 2022), to assess if an approach to performance management and oversight of the service has been outlined within this document. We noted that the Procedure does not include how the performance of the service will be overseen and monitored, including which KPIs will be tracked and reported. The Head of Engineering informed that weekly meetings take place with the Traffic and Engineering Department where issues relating to highway inspection and maintenance works can be reported up to the Councils however, we were not provided with meeting minutes or other performance reports/documents during the course of the audit. **Risk/Implications**	Management should: -Ensure internal KPIs such as response times, completion rates and customer feedback are monitored and reported against; - A governing committee / group / forum or Senior Management should be presented with performance reports on a periodic (e.g. monthly) basis for oversight; and - Corrective actions should be implemented where performance levels are low.	Head of Engineering Head of Inspection and Enforcement Head of Direct Services Organisation	09/09/2024	31/12/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				KPIs are not tracked and so the performance of the highway maintenance function is not adequately known or communicated to key stakeholders in the Councils.					
Change and Innovation	1254/265	2023/24	IT Third-Party Risk Management (Mazars IT)	**Lack of evidence of security examinations of IT third-parties occurring** Conducting a thorough security assessment is crucial to effectively manage IT third-party risks and ascertain the suitability of a potential new vendor. The Councils have a procedure for assessing security controls prior to signing the contract with a new vendor. This process utilises a standardised questionnaire which is used by the security examiner to ensure the contract details align with the Councils' needs. However, no evidence has been provided during the audit that the procedure was followed for the five selected contracts. **Risk/Implications** Without effective testing there is a risk that the security measures may not be sufficient to protect against potential threats which may lead to vulnerabilities in the systems or services delivered by a new vendor.	Management should evidence the execution of the security control assessment for all vendors. This should include completed questionnaires, results of security examinations completed the IT third-parties, documentation of assessment or review performed by either Procurement or the CIT (or both) and any actions taken as a result prior to entering in contractual relationship with a prospective vendor. **Management action response** The following measures will be taken: • Action Item 1: Current contracts will need to be reviewed for security provisions. • Action Item 2: Internal repository will be created to deposit currently owned documentation and seek documentation from suppliers that have not provided documentation. • Action Item 3: Implement a process for obtaining questionnaire responses/certification.	Contract Manager (Corporate IT)	22/03/2024	Action 1) 12/07/2024 Completed Action 2) 09/09/2024 Awaiting documentation from the last supplier Action 3) 09/09/2024 Completed	
Housing & Regeneration	SSA/24-25/053	2024/25	Partmore Co-op	**Repairs and Maintenance - Contracts** Section 43a of the Rules of Patmore Co-op states the Co-op can "enter into any contracts and settle the terms thereof". A tender exercise should be carried out on all contracts to	1) Carry out a review on all contracts running in perpetuity and make arrangements to retender those contracts. 2) All future contracts must be signed by both parties include a termination date, performance targets, minimum insurance requirements and compliance with	Co-op Manager and Committee Members	04/07/2024	31/12/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				ensure best value has been achieved. Arrangements should be in place for retendering where expiry dates are due in the next 3 to 6 months to ensure continuity of service. Contracts should not be run in perpetuity. The Council minimum requirement for public liability insurance cover is £5million and professional indemnity insurance cover is £2million. From the review of contractor arrangements, Internal Audit identified the following: • A tender exercise has not been carried out since 2018 for cleaning ground maintenance which is currently held by The Green Team. • A tender exercise has not been carried out for nearly 20 years for external audit services. The same company also provides financial services. • Their professional indemnity insurance cover is £100,000. **Risk/Implications** Where a contract is run in perpetuity there is a risk of not achieving value for money by not regularly retendering. Further, where the minimum insurance cover is not held by contractors it could have a significant effect on the Co-op's finances if they were to be liable for any claims through negligent advice or service.	statutory requirements. 3) All contracts should be approved by the Committee, and this should be documented in the Committee minutes. 4) Employ a separate external auditor independent from the current accountants. 5) Instruct the financial services provider to take out professional indemnity cover at a minimum of £2million.				
Housing & Regeneration	1260/150	2023/24	RMO and Co-Op Thematic	**<u>Fire Safety -</u>** **<u>Non-Compliant Fire Doors</u>** Fire safety doors are fire-resistant doors used to stop the spread of fire and toxic smoke between a building's compartments allowing for	Residents should be contacted immediately with a timeline agreed for work to be completed. Where an agreement is unable to be reached, these cases should be referred to the Councils legal team.	RMO Manager	23/04/2024	22/10/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				evacuation, stay put and safe access for the emergency services. Fire doors are a legal requirement for flats which open onto communal areas shared with other tenants. This is to make sure crucial escape routes are protected if a fire breaks out. Examination of the six RMOs reviewed identified four RMOs who have non-compliant fire doors in resident and leases properties in place including doors which open onto a communal area. **Risk/Implications** Where front doors are not fire compliant, in the event of a fire, there is an increased risk of significant damage to property, harm/injury or death of residents, prosecution, financial loss and reputational damage to the Council due to an increased lack of housing.	Further, the Estate manager should take action immediately where the non-compliant fire doors are in lease holder properties.				
Housing & Regeneration	1260/150	2023/24	RMO and Co-Op Thematic	**<u>Fire Safety -</u>** **<u>Annual Review of Fire Risk Assessments (FRAs)</u>** The Fire Safety Guidance for RMO's states FRAs are the responsibility of the Council and should be carried out periodically. The RMO is responsible for carrying out annual reviews of FRAs. The annual fire safety check looks in detail at all aspects of the internal areas that could either increase the risk of a fire starting, impede escape routes or allow a fire to spread. Review of the Riskbase system, the fire safety system used for RMOs to view tasks to be actions, fire risk assessment and previous fire safety information, identified there are numerous FRA related tasks open and overdue in all six RMOs that	Any issues raised from the FRA's that are the responsibility of the RMO and must be addressed promptly and the Riskbase system updated with the action taken and dates. Where they come under the responsibility of the Council, the RMO should liaise with the Deputy Estate Services Manager to ensure tasks are completed within the target date. Annual reviews of the Fire Risk Assessment should take place to ensure the tasks are completed promptly.	RMO Manager	23/04/2024	22/10/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				have been reviewed. These tasks include actions such as non-compliant fire doors, clearing fire exits and communal areas, upgrading or replacing smoke detectors, carrying out maintenance on fire alarm systems and replacing the smoke seals on door frames. <u>RMO/Co-op</u> <u>Overdue tasks</u> All Saints 28 Totteridge House 21 Convent 21 Patmore 75 McCarthy Court 29 Flesham Road 54 All Saints have actions overdue dating from 09/02/22 to 01/03/24, McCarthy Court overdue actions are from 01/09/16 to 23/02/24, Patmore's overdue actions are from 27/04/16 to 12/01/23, Felsham Road have overdue actions from 04/08/16 to 15/11/23, Totteridge House have actions from 25/04/22 to 25/01/23 and Convent has actions from 12/08/16 to 13/10/23 which are overdue. Fire Risk Assessments should be reviewed annually by the RMO, it was identified that three of the six RMOs reviewed do not complete Annual Reviews of the FRA. **Risk/Implications** Where FRAs actions are not implemented, there is an increased risk of significant damage to the property, harm/injury or death of residents, prosecution, financial loss and reputational damage to the Council due to an increased lack of housing.					

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
Children's Services	1255/194	2023/24	Southmead Primary	**Budget Setting** During the course of our audit, it was identified that a significant portion of the school's expenditures were not adequately included in the approved budget 2023-24 by the Full Governing Board. This deficiency in the budgetary process poses a substantial risk to the financial management and transparency of the school. Review of the approved budget found: • Inadequate Identification of Expenses -A finding is the school's failure to identify and incorporate a significant portion of its actual expenses into the approved budget such as St Georges Healthcare NHS Trust contract (approximately £40,000) and Teaching cost (salary of DHT approximately £73,000). This deficiency suggests a lack of meticulousness in the initial budget setting process. • Lack of Comprehensive Budgeting: The budget does not reflect a comprehensive understanding of all operational, capital and maintenance expenses. There is evidence of overlooking essential costs, leading to an inaccurate representation of the school's financial needs. • Ineffective Communication: There is evidence of inadequate communication within the school admin and staff regarding their specific financial needs. During the budget setting stage, the department heads did not effectively relay their budgetary requirements to the School Business Manager (SBM) and Head Teacher (HT), resulting in a budget that fails to reflect true financial needs, thus impairing the thoroughness of the budgeting process. This lack of collaboration contributes to incomplete budgetary information and a failure to capture all	To address the identified shortcomings in the budget setting process, we recommend the following actions: • Conduct a thorough review of the budgeting process to identify and include all necessary expenditures, ensuring a comprehensive and accurate representation of the school's financial needs for financial year 2024- 25. • Enhance governance procedures to involve all relevant individuals in the budget approval process, promoting transparency, accountability, and better decision-making. • Provide training to the school admin team and relevant staff members on best practices in budget setting, ensuring they have the necessary skills to develop accurate and comprehensive budgets. • Implement a robust monitoring system to track budgetary performance regularly, comparing actual expenditures against the approved budget. This will enable timely corrective actions and adjustments. • Improve communication channels between the school SBM & HT team and the Full Governing Governors to ensure that all relevant information is shared, facilitating informed decision making during the budget approval process. • Engage with Wandsworth Finance to perform periodic review of the school's financial processes, providing an independent assessment of compliance and effectiveness.	SBM/HT/FGB	03/05/2024	03/06/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				necessary expenses. • Overreliance on Historical Data: The budget setting process appears to rely heavily on historical financial data without a comprehensive assessment of current and future operational requirements. This may result in outdated budget projections that do not align with the current needs of the school such as the number of pupils used for budget setting was 319 pupils whilst the schools current roll is 295. • The documentation supporting the budget lacks detailed justification for the inclusion or exclusion of specific expenses. This deficiency hinders transparency and makes it challenging for stakeholders to understand the rationale behind budgetary decision **Risk/Implication** Poor budget setting process can result in the potential misallocation of resources, inadequate financial planning and a lack of transparency in the school's financial reporting. This can lead to budgetary overruns, financial mismanagement, and an increased likelihood of non-compliance with regulatory and governance standards.					
Children's Services	1255/190	2023/24	St Annes CE Primary School	**Unofficial School Funds** The school fund should be audited on an annual basis as soon as possible after the end of the accounting period. The audited accounts should be presented to the Full Governing Body promptly and the ratification recorded in the minutes of the meeting. Discussions with the School Business Manager identified that the unofficial school funds were last audited in 2017. However, the paperwork was kept in the loft and the School Business Manager was	Ensure the unofficial school fund is audited annually. The Auditor must be independent of the running of the funds and a competent person to undertake the audit. This must be presented to the Full Governing Body. Where the school fund is over £10,000 ensure the funds are audited by a qualified accountant or qualified auditor.	School Business Manager	02/02/2024	24/07/2024	31/03/2025

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				unable to provide it to the auditor. Therefore, audit was unable to test unofficial school funds. **Risk/Implications** Where unofficial funds have not been audited, there is a risk that all unofficial income and expenditure has not been fully accounted for.					
Chief Executive's Group	1253/057	2021/22	Storage of Deeds & Contracts - Wandsworth	**Unregistered Land Documents** **No Copies of Unregistered Deeds** Making a copy of the unregistered deeds would provide some evidence of the Council's title if the original documents were lost or destroyed. The risk of the unregistered land documents was first identified in the 2019/20 mid-year risk certificate for Support and Member Services. Mitigating actions were to make copies of these documents. In 2020/21, the mitigating actions changed to instructing the SLLP to register the documents. Neither of these have been carried out at the time of the audit. The Business Support Manager stated that they were going to make copies of the unregistered deeds, but were advised by SLLP that as they were going to register the deeds, this would not be required. Also, due to the size of the documents, an advanced scanner would be required. Not all title documentation is registerable and so deeds still need to be retained to provide a record of unregistered interests. **Risk / Implication** Where title to land is not registered and deeds cannot be traced it becomes difficult to establish the true ownership of land and any third-party rights in respect thereof. This	A task & finish project group will be convened to take this project forward. The Group will assess the task requirements and agree targets for the implementation. In the meantime, the Business Support Team will take the following action: • Access will continue to be restricted to these documents with viewing only allowed in room 151 • A project to improve the shelving in the 'mortgage' room has been implemented and when this is completed the unregistered land documents will all be moved into this discrete secure basement area. • Documents will not be copied as they require a large network scanner & there is a danger that in trying to copy them documents will be damaged. • A budget will need to be identified to fund a temporary post within SLLP for registration of the title documents as this work cannot be contained within existing financial resources.	Monitoring Officer	01/05/2022	31/12/2022 **Management response:** A temporary post within SLLP has been filled and work is underway.	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				adversely affects the Councils ability to deal with the land.					
Housing & Regeneration	1260/153	2023/24	Wimbledon Park Co-op (Western Area - 280 units)	**<u>Approved Contractor List and Contacts</u>** From the review of contractor arrangements, Internal Audit identified the following: • The contractor list last presented to the Board on the 31/08/2021. A review of a sample of five contractors selected from the contractors list identified insurance cover was not held in four instances and accreditation with NICEIC was not held in one instance. • The Estate Manager confirmed that for two new contractors, he only carried out general consumer checks (i.e. Google Search and star ratings). • Five contractors regularly used by the Co-op are not on the approved contractor list. • The Estate Manager explained that tender exercises were not carried out for financial and human resources services. • The financial services provider’s contract does not contain the expiration date and their professional indemnity insurance cover was not provided. • At the time of the audit, no contract with the Human Resources provider was evidenced. **Risk/Implications** Where contractors’ renewal of insurance and accreditations are not checked annually it increases the risk of using contractors that do not	1) Carry out a review of the approved contractors list and all additions/removals to/from the contractor list should be approved by the Board. 2) Carry out initial checks of certificates of insurance and industry certifications prior to contractors being added to the contractors list and evidence of this should be retained. 3) Carry out annual checks to ensure adequate insurance cover continues and industry certificates are current. This record should be retained and recorded on the contractor list. 4) Submit a summary of each contractor’s performance at least annually to the Board. Carry out a review on all contracts running in perpetuity and arrangements made to retender those contracts. 5) All future contracts must be signed by both parties include a termination date, performance targets, insurance requirements and compliance with statutory requirements. 6) All contracts should be approved by the Board and documented in Boards minutes.	Estate Manager	27/03/2024	30/11/2024	

Area / Department	Audit Reference Number	Audit FY	Audit Title	Audit Finding	Audit Recommendation	Responsible Officer	Final Report Issue Date	Recommendation Due Date	Revised Due Date
				have the necessary insurance and/or technical ability which could lead to financial loss or litigation. Where a contract is run in perpetuity there is a risk of not achieving value for money by not regularly retendering.					

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PAPER NO. 24-313

WANDSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE – 7th NOVEMBER 2024

Report by the Head of Audit on the Review of Audit Committee effectiveness and the new Global internal Audit Standards (GIAS)

SUMMARY

This report presents the outcomes of the Audit Committee Effectiveness that measured the Audit Committee's conformance with Cipfa's Audit Committees Position Statement 2022.

The report also provides an introduction to Global Internal Audit Standards that replace the public Sector internal Audit Standards from the 1st April 2025.

RECOMMENDATIONS

1. The Audit Committee is recommended to: -

   a) Note the positive outcome of the external review of the Audit Committee for compliance against Cipfa's Audit Committees Position Statement 2022.

   b) Agree the recommendations made in this report to further strengthen the committee and consider appropriate mechanisms and duration for implementation.

   c) Note the update on the new Global Internal Audit Standards that will come into effect from the 1st April 2025.

INTRODUCTION

2. The Audit Committee has oversight of both internal and external audit together with fraud, financial, risk, and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3. CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 (the Standard) sets out the purpose, model, core functions and membership of the audit committee. The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. CIPFA expects that all local government bodies should

make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit. Wandsworth's Audit, Committee has taken steps to improve its effectiveness already by appointing two independent audit committee members.

4. CIPFA is clear that Audit Committees are a key component of an authority's governance framework, their purpose being to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. The Position Statement also sets out the core functions of an audit committee being as follows:
   • Maintenance of governance, risk, and control arrangements
   • Financial and governance reporting; and
   • Establishing appropriate and effective arrangements for audit and assurance.

5. The Committee agreed at the meeting in November 2023 that an external review of the compliance against CIPFA's Audit Committees Position Statement 2022 was welcome and would mark the commencement of annual self-assessment review programme, as recommended by the Standard.

REVIEW OF THE AUDIT COMMITTEE

6. The review was undertaken by Mike Pinder, CIPFA, BA (Hons) in June 2024. Mike has 17 years' experience as a Head of Audit and also volunteers as a Trustee for the Howard Partnership Trust, a Multi Academy Trust in Surrey where he also Chairs the Audit Committee. Mike is a member of the London Audit Group Executive, which he previously chaired for a number of years.

7. Findings are based upon a review of committee papers and interviews were held with the Executive Director of Finance (Section 151), Director of Financial Services and Head of Shared Audit Service.

8. The review's scope covered the areas identified in CIPFA's audit committee self-assessment of good practice and improvement tool for evaluating the impact and effectiveness of the audit committee. The assessment and tool cover the following areas / topics:

   - Audit committee purpose and governance
   - Functions of the audit committee
   - Membership and support
   - Effectiveness of the committee
   - Good governance and decision making
   - Effective risk management
   - Improving value for money
   - Achievement of goals
   - Improving reporting, transparency, and accountability
   - Embedding ethical values and countering fraud

- Effective audit and assurance
- Effective internal controls

9. The assessment identified that the Committee was good at 70% compliant with the position statement. Areas for improvement were largely new areas introduced in this 2022 update. The Council has already taken steps to introduce two independent members. The standard sets out 29 areas of good practice. The review identified only 6/29 areas where the Committee didn't currently comply with best practice.

10. The main areas of good practice that are recommended to be adopted are:
    - The need for the Committee to report to Council annually. The standard includes relevant guidance and evaluation of performance and confirmation that it meets the terms of reference. If this is addressed, it would add 13% to the compliance score and address 4/6 areas where the Committee doesn't currently comply.

    - The need to complete the knowledge and training assessment (annually) and ensure a programme of training is adopted, this would address the remaining area of non-compliance and lead to fully complying in other areas and add a further 6%. This area links to the LGA peer review comments. Recognising that a survey was set-up, but not all responses received. Once an assessment has been completed training needs could be prioritised to assist the Committee.

    - The assessment was not undertaken with the Audit Committee members. A number of meetings were arranged with the Chair; however, they were unable to attend. Involvement of the Chair in future reviews will add a further 6%. This will also add a dimension to the review that a desk-based review cannot.

11. The remaining areas identified some level of compliance with the standards. Considerations have been made to enable the Committee to consider whether it wishes to adopt some or all of these to meet best practice.

Table 1 – Recommendations addressing areas where the committee currently doesn't comply

	Finding and Standard Ref No.	Recommended Action/s
1	The Committee terms of reference is out of date and does not include all elements suggested by the model set out in the standard. E.g.: responsibilities for: • Charter • Changes to the plan • Annual report • Quality Assessment • FM Code • AGS Standard ref: 4	An update of the terms of reference should be undertaken. The Committee may wish to consider adopting the model as the basis of the new ToR. Improvement to compliance score – 2%

2	The Committee does not do an annual report on its work for Council. The Committee has not previously fully evaluated its performance including any recommendations and actions plans on any findings. Standard Ref: 7, 8, 27 & 28	An annual report should be made to the Council on the work of the Committee. The report should include: • Compliance with the CIPFA statement (this report) • Results of the annual evaluation (appendix B). • How the Committee has fulfilled its Terms of reference. The report should include any action plans to address any findings. Improvement to compliance score – 13%
3	Whilst a training needs assessment was undertaken only 3 of the 7 members responded. An induction course is run, but there is no regularly training sessions. Standard Ref: 14, 15, 16, 17	The knowledge and training needs assessment should be completed annually. Regular training should be run based upon key needs identified by the review. Improvement to compliance score – 6% Standard Ref: 29
4	The assessment was not undertaken with the Audit Committee members. A number of meetings were scheduled with the Chair, however, unfortunately they were unable to attend each. Involvement of the Chair or other members would add another dimension to the review and help ascertain feedback on some of the key areas of the review.	Future assessments should include Audit Committee members. The review of this document at Committee and feedback on recommendations to consider (numbers 3&4) will address this. Improvement to compliance score – 6%.

Table 2 – considerations to improve areas where there is currently some level of compliance

Ref	Finding and Standard Ref No.	Considerations
1	There is only an annual report on risk for the Council. Standard Ref: 9	Good practice is for the full risk register to be reported to Committee each meeting. Discussion with officers was around a risk deep dive instead of or as well as. This would focus on certain risk and help give the Committee some assurance on the key risks and mitigations. Improvement to compliance score – 1%
2	The Committee does not hold separate meetings with only internal and external audit present. It is, however, noted from discussions with officers that the Chair had regular interim briefings with internal audit. This appears to	Best practice suggests a time for internal audit and external audit to meet privately with the Committee. Other councils have implemented a short session (15mins at the start of a meeting on an annual basis – usually aligned to the accounts sign off). Improvement to compliance score – 1%

	be an area of good practice in helping ensure the Chair is up to date with issues and given an opportunity for an informal briefing/concerns to be raised between meetings. Standard Ref:12	
3	The secretariate and administrative support to the Committee appeared adequate from review of meetings. We were unable to discuss with the Chair their view on this. Standard Ref:18	The Committee's view on the secretariate and admin support to the Committee should be sought. No impact on score.
4	The self-assessment asks: "Has the Committee obtained positive feedback on its performance from those interacting with the Committee or relying on its work?" It was not possible to get feedback from the Chair on this, but based upon discussion with officers this is considered fine. Standard Ref:20	The Committee should confirm this finding. No impact on score.
5	There was evidence of some engagement with leaders and managers, but only on an ad-hoc basis. Standard Ref:24	The Committee may consider whether additional engagement with leaders and management may be useful. The suggestion around deep dives on risk would help address this. Improvement to compliance score – 1%

GLOBAL INTERNAL AUDIT STANDARDS

12. The Council's Internal Audit service is required to comply with the Public Sector Internal Audit Standards (PSIAS). An external assessment performed in 2023 demonstrated a good level of conformance with the standards.

13. From April 2025 the Internal Audit Service will be required to comply with new Global Internal Audit Standards (GIAS) which will supersede the PSIAS following endorsement from Cipfa. The Standards provide a new structure with their arrangement under five domains. There is more emphasis on the working relationship of Internal Audit, the Audit Committee (referred to as the Board) and Senior Management. The GIAS can be read in full here: Global Internal Audit Standards

14. The Standards are arranged into five domains:

Review of Audit Committee effectiveness and the new Global internal Audit Standards (GIAS)

I Purpose of Internal Auditing
II Ethics and Professionalism
III Governing the Internal Audit Function
IV Managing the Internal Audit Function
V Performing Internal Audit Services

15. Across the domains are 15 Principles and 52 Standards. These include requirements, considerations for implementation, and examples of evidence of conformance. The new International Professional Practices Framework (IPPF) includes the Standards, topical requirements, and global guidance.

16. The new Standards include guidance on application in the public sector which recognises that the application of the Standards may differ for internal auditors in the private sector. This section specifically references implications of different funding arrangements (i.e. the Board may not be able to approve budgets); governance and organisational structure (i.e. recognising that the Board may not be able to appoint, remove, or set remuneration for the Head of internal Audit (referred to as the Chief Audit Executive (CAE)); and laws/regulations impacting on delivery.

KEY CONSIDERATIONS

17. The Audit Committee members play a vital role in ensuring that the Internal Audit function adheres to the Standards and fulfils its mandate effectively and efficiently. Audit Committee members and Senior Management should be familiar with the new Standards and their implications.

18. Some of the key updates are summarised as follows:
    - A new Purpose statement that sets out the value of Internal Audit.
    - New behavioural requirements for Internal Auditors, including the concept of 'Professional Scepticism.'
    - Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the PSIAS, the new standards go further and explicitly lay out requirements for Senior Management and the audit committee (the Board).
    - The standards require an Internal Audit Mandate to be approved by the Audit Committee. The mandate sets out the authority, role, responsibilities, scope, and types of services. It also considers organisational independence, including interference such as limiting budgets or resources of Internal Audit.
    - The CAE must develop and implement a strategy for the Internal Audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the Board, senior management, and other key stakeholders.
    - The CAE must coordinate with internal and external providers of assurance services and consider relying upon their work. If unable to achieve an appropriate level of coordination, the CAE must raise any concerns with senior management and, if necessary, the Board.
    - The CAE must strive to ensure that the Internal Audit function has the technology to support the internal audit process. The CAE must regularly

evaluate the technology used by the Internal Audit function and pursue opportunities to improve effectiveness and efficiency. The CAE must communicate the impact of technology limitations on the effectiveness or efficiency of the Internal Audit function to the Board and senior management. The CAE must collaborate with the organisation's information technology and information security functions to implement technological resources properly.

- If Internal Auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution.
- Internal Auditors must ensure the final communication to stakeholders for individual engagements is reviewed and approved by the CAE before it is. issued; and
- New to the 2024 Global Internal Audit Standards are the setting of Topical Requirements. These are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.

19. Domain III covers the governance of Internal Audit and represents a significant change and sets out requirements for the Board, which must be exercised by the Audit Committee, as follows:

- Discuss with the CAE and senior management the appropriate authority, role, and responsibilities of the Internal Audit function.
- Approve the Internal Audit charter, which includes the Internal Audit mandate and the scope and types of internal audit services.
- Discuss with the CAE and senior management other topics that should be included in the Internal Audit charter to enable an effective Internal Audit function.
- Review the Internal Audit charter with the CAE to consider changes affecting the organisation, such as the employment of a CAE or changes in the type, severity, and interdependencies of risks to the organisation.
- Demonstrate support to Internal Audit by:
    - Specifying that the CAE reports to a level within the organisation that allows the internal audit function to fulfil the Internal Audit mandate.
    - Approving the Internal Audit charter, Internal Audit plan, budget, and resource plan.
    - Making appropriate enquiries of senior management and the CAE to determine whether any restrictions on the Internal Audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
    - Meeting periodically with the CAE in sessions without senior management present.
- Champion the Internal Audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives.

Review of Audit Committee effectiveness and the new Global internal Audit Standards (GIAS)

- Review the requirements necessary for the CAE to manage the Internal Audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the CAE's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Communicate with the CAE to understand how the Internal Audit function is fulfilling its mandate.
- Communicate the Board's perspective on the organisation's strategies, objectives, and risks to assist the CAE with determining Internal Audit priorities.
- Set expectations with the CAE for:
    - The frequency with which the Board wants to receive communications from the CAE.
    - The criteria for determining which issues should be escalated to the Board, such as significant risks that exceed the board's risk tolerance.
    - The process for escalating matters of importance to the Board.
- Discuss with the CAE disagreements with senior management or other stakeholders and provide support as necessary to enable the CAE to perform the responsibilities outlined in the Internal Audit mandate.

- Review and approve the CAE's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
    - The scope and frequency of assessments.
    - The competencies and independence of the external assessor or assessment team.
    - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
    - Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement, if applicable.

20. The GIAS build upon the PSIAS and the Audit Service is well placed to meet the requirements when they come into force.

21. As part of the Internal Audit service's quality assurance and improvement programme (QAIP), work will take place to review processes, templates, and strategies to align with the latest Standards. The team includes a number of qualified and part qualified Chartered Internal Auditors along with Apprentices and Trainees embarking on Institute of Internal Auditor qualifications. Continuous professional development and training will further support the embedding of the Standards across the service. Further updates will be provided to the Committee during 2024/25, including the implications of any new Topical Requirements.

The Town Hall
Wandsworth

P.GUILLIOTTI
Director of Financial Services

(***Paper No. 24-313)***

SW18 2PU

Background papers

A review of the Audit Committee, by Mike Pinder

All reports to Overview and Scrutiny Committees, regulatory and other committees, the Executive and the full Council can be viewed on the Council's website (www.wandsworth.gov.uk/moderngov) unless the report was published before May 2001, in which case the Democratic Services Officer (Marianna Ritchie – 020 8871 8352; email: marianna.ritchie@richmondandwandsworth.gov.uk) can supply it if required.

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PAPER NO: 24-314

WANDSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE – 7th NOVEMBER 2024

Report by the Executive Director of Finance on the 2022/23 and 2023/24 accounts, and the report of the external auditor

SUMMARY

The Council published its 2022/23 draft Accounts in June 2023. Ernst & Young (EY) have not commenced any 2022/23 ‘full’ external audits nationally except those essentially mandated to complete, and as such have concentrated on Value for Money (VfM) audits and other key financial statement elements.

The Council published its 2023/24 draft Accounts in June 2024 and the full audit commenced on 1st July 2024. The audit of the 2023/24 accounts is progressing well and Ernst & Young (EY) are expected to be able to issue a final audit results report in December 2024.

Both year’s audits and subsequent accounts are expected to be signed off by the respective backstop dates however modifications continue to opinions as per EY’s audit approach outlined.

GLOSSARY

EY	Ernst and Young LLP
PSAA	Public Sector Audit Appointments
MHCLG	Ministry of Housing, Communities, and Local Government

RECOMMENDATIONS

1. The Audit Committee are asked to:

   (a) Note the fees update in Appendix A.

   (b) Consider the draft Audit Results Report for 2023/24 at Appendix B.

   (c) To approve and provide delegated authority to the Chair to sign the 2023/24 Accounts when the audit is completed (Appendix C).

   (d) Give delegated authority to the Chair to sign the Letter of Representation for 2023/24 when the audit is completed.

   (e) To approve and provide delegated authority to the Chair to sign the 2022/23 Accounts when the audit is completed (Appendix D).

(f) Give delegated authority for the Chair to sign the Letter of Representation for 2022/23 (draft copy provided at Appendix E) when the audit is completed.

SUMMARY

2. The significant delays in the external audit of local authority accounts continues to be a well known national issue. Following consultations issued in February 2024, the Ministry of Housing, Communities and Local Government (MHCLG) issued a statement on 30th July 2024 detailing backstop dates to 2027/28. It is hoped the backstop dates will assist annual audits to step forward on a new footing for timely completion in future years with ‘normal’ dates resumed by 2026/27. At the same time, MHCLG announced that the date by which draft (unaudited) accounts must be published will change from 31 May to 30 June following the financial year to which they relate – beginning for 2024/25. Specific backstop dates set are as follows:

	Back Stop Date
2022/23 (and prior years)	13th December 2024
2023/24	28th February 2025
2024/25	27th February 2026
2025/26	31st January 2027
2026/27	30th November 2027
2027/28	30th November 2028

2022/23

3. The Council published its 2022/23 draft Accounts on 30th June 2023. As previously reported to this Committee Ernst & Young (EY) did not commence any 2022/23 ‘full’ external audits nationally except those essentially mandated to complete and instead commenced reduced scope audits focusing on the Council’s preparedness for being audited and Value for Money (VfM) audits in full. Progress on the Council’s reduced scope audit is discussed in paragraphs 6 to 9, and the Statement of Accounts for 2022/23 is attached at Appendix D.

2023/24

4. The Council’s draft Accounts for 2023/24 were published on 7th June 2024 and the audit commenced shortly after on the 1st July 2024 with a refreshed team from EY. The audit is progressing well, and the auditor’s expected opinion is discussed in paragraph 11.

5. The draft Audit Results Report is attached at Appendix B and the external auditors will be attending the Committee to present and answer any questions regarding their report. The current Statement of Accounts for 2023/24 is attached at Appendix C.

DETAILS

2022/23 Audit

6. The reduced scope audit began in March 2024, with various items of audit evidence all returned between April to July 2024 to the 2022/23 EY audit team. In August 2024 a

new central team at EY took over the prior year audits with some new and repeated audit evidence requested. The final draft of the current 2022/23 Statement of Accounts is attached at Appendix D and it is recommended that the committee agrees to giving delegated authority to the chair to sign this version of the accounts in advance of the backstop date of 13th December 2024.

7. EY presented their initial findings in their 2022/23 Interim Value for Money Report to this Committee in July 2024 and no areas have been raised since that date.

8. When the reduced scope audit is completed, it is still anticipated that EY will issue a 'disclaimer' opinion but with a positive statement to the effect that they have not been able to audit the accounts, but the Council was ready and willing to be audited. Auditors have asked to be clear in their reporting that any modified or disclaimed audit opinion clearly states whether the opinion is caused by the backstop date, or from any issues with financial processes or financial management. The Council is clearly in the former group of solely being affected by the backstop date.

9. The final 2022/23 Audit Results Report will be issued on completion of the audit and circulated to all Committee members for information before the 2022/23 Accounts are signed off by EY. For completeness an update will also be documented at Committee in March 2025 with the final Statement of Accounts.

2023/24 Audit

10. The Executive Director of Finance signed to "certify that the Statement of Accounts presents a true and fair view of the financial position" of the Council on 7th June 2024 and the unaudited Accounts have been available to view on the public website since that date. The inspection period commenced on the 7th June 2024 and closed on the 19th July 2024 in line with regulations.

11. If this was a 'normal year' i.e. without the backstop and national audit delay issues, the Council would be expecting the auditor to issue an unqualified opinion on the Accounts i.e. there are no material errors and expect to issue a conclusion that there are proper corporate arrangements for securing value for money in the Council's use of resources. However, the disclaimed opinion for 2022/23 discussed in paragraph 6 impacts the 2023/24 opinion and there will be continued modification to opinions as a result. The exact shape of this is currently going through technical review and will take time to finalise. The audit is expected to be completed in December 2024 slightly later than detailed in EY's Audit Plan previously presented to Committee in July 2024.

12. An update on the audit, with the detailed findings to date are contained in the draft Audit Results Report at Appendix B. There are no material changes from the draft published Accounts in June 2024 however the auditors have identified some minor misstatements, which are detailed in their report and the Council has made adjustments for these.

13. A letter of representation outlining the Council's responsibilities and compliance with accounting standards has yet to be supplied in draft by the auditor but subject to there being no material differences to previous versions in prior years, delegated authority is requested to sign once the audit opinion is ready.

The Town Hall
Wandsworth
SW18 2PU

FENELLA MERRY
Executive Director of Finance

<u>30th October 2024</u>

(Paper No. 24-314)

Appendix A - Audit Fees Update

1. Audit fees are made up of a ‘scale fee’ as per the contracted values via the Public Sector Audit Appointments (PSAA) framework agreement plus any additional fees due to extra work. Additional fees include work on the VfM commentary and ISA 540 (the auditing of accounting estimates, more specifically, estimations made by the pensions actuary). The Council has not agreed audit fees with EY since 2019/20 (which was sent for arbitration via the PSAA). Audit fees for 2020/21 to 2023/24 years are detailed on the draft Audit Results Report at Appendix B.

2. Officers still recognise the national issue of current fees not matching audit firms’ assessment of their costs and responded to the two PSAA consultations in 2022 and 2023. A further consultation has recently been issued in September 2024 in relation to future year audit fees which the Council again responded to.

3. For 2020/21 and 2021/22 the scale fee set by the PSAA for auditing the Council’s main accounts was at the same level as 2019/20 at £86,559. In May 2024, EY advised they had recently submitted a fee variation to PSAA for an additional £115,318 for 2020/21 and an additional £115,287 for 2021/22. Officers have met with the PSAA and the EY prior year audit manager to gain further detail on those fees put forward. Officers will put forward their challenge to those fees in Autumn 2024, with the final decision then with PSAA.

4. PSAA have issued an update on the status of the proposed fees methodology for 2022/23 and how fees may be adjusted for limited scope audits. It has been advised that issuing a disclaimed or modified audit opinion and a subsequent return to being able to fully complete audits will require differing levels of work by auditors. PSAA will therefore set scale fees and determine fee variations where the auditor undertakes substantially more or less work than assumed by the scale fee and will consult with bodies where appropriate. In doing so PSAA will apply the following principles:

    - If auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion.
    - Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

5. Officers will continue to make the case that a reduced audit should result in a reduced audit fee. The Council has not paid for any fees proposed for 2022/23 at present.

6. The scale fee set by the PSAA for 2023/24 is £325,951. EY have indicated they expect to charge additional fees to reflect what they consider to be additional

work on the audit of 2023/24. It is expected that these fees will again be submitted by EY to the PSAA for arbitration.

7. The PSAA has recently launched its consultation on the 2024/25 fees as referred to in paragraph 2. The final fee scales are then due to be published by the end of November 2024. The 2024/25 fee scale proposals include a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The proposed 2024/25 fee would therefore be:

ELEMENT	**24/25 FEE**
2023/24 Scale Fee	£325,951
Add: Changes in Audit Requirements (New ISA UK Standards – ISA315 (Risk) and ISA240 (Fraud)	£15,690
Add: Contractual indexation (3.4%)	£11,616
Total 2024/25 Scale Fee	**£353,257**

8. In May 2024 the Council received government grant of £56,724 from the £15m overall pot of the ‘Redmond Review Local Audit Grant’ in relation to 2023/24. This grant is intended to support public bodies with rising audit fees. The allocations are determined using the total of all the audit scale fees for that year and apportioned accordingly. It is not yet clear if a similar sum will be received for later years.

Wandsworth Borough Council
Draft Audit Results Report

Year ended 31 March 2024

07 November 2024

Building a better working world

Wandsworth Borough Council
The Town Hall
Wandsworth High Street
London SW18 2PU

07 November 2024

Dear Audit Committee Members

2023/24 Draft Audit results report

We are pleased to attach our draft audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 07 November 2024 on further progress to that date and explain the remaining steps to the issue of our final opinion.

As you will be aware, the new Minister of State responsible for Local Government and English Devolution made a statement to parliament on Tuesday 30 July 2024, setting out the Government's policy proposal for addressing the local government audit backlog. This statement outlines immediate actions the Government – together with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system – is taking, which are designed to address the backlog and put local audit on a sustainable footing. These now provide helpful clarity on the government's policy intentions and recognise the commitment of finance teams and auditors and the important role that we will all play to restore timely financial reporting.

Guidance has been produced by the National Audit Office on the impact on auditors' scope of work and approach as a result of the Local Audit Reset (Local Audit Reset and Recovery Implementation Guidance, or "LARRIGs"). The lack of assurance over opening balances in the 2023/24 financial statements will have an impact on the extent and form of assurance that we are able to provide in our audit opinion for 2023/24. We are currently determining the likely form of our opinion and will report to the Committee at the conclusion of our audit.

This Draft audit results report contains our provisional findings for the 2023/24 audit related to the areas of audit emphasis, our views on Wandsworth Borough Council's (the Council's) accounting policies and judgements and material internal control findings, which will form the basis of our Final Audit Results Report to be issued in advance of the 2023/24 audit opinion.

Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit Committee, other Councillors and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 07 November 2024.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/)).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Wandsworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Wandsworth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Wandsworth Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Page 84

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Executive Summary

Scope update

In our audit planning report presented at the 10 July 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We are continuing to carry out our audit in accordance with this plan, with no significant changes to bring your attention.

As outlined in section 04 of the abovementioned Audit Planning report, Group/Council planning materiality for 2024 has been set at £19.9m, performance materiality of £9.9m and audit difference threshold of £0.9m. There have been no changes to our materiality assessments while conducting our audit procedures since that time.

Guidance has been produced by the National Audit Office on the impact on auditors' scope of work and approach as a result of the Local Audit Reset (Local Audit Reset and Recovery Implementation Guidance, or "LARRIGs"). The lack of assurance over opening balances in the 2023/24 financial statements will have an impact on the extent and form of assurance that we are able to provide in our audit opinion for 2023/24. We are currently determining the likely form of our opinion and will report to the Committee at the conclusion of our audit.

Status of the audit

Our audit work in respect of the Council opinion is in progress as expected at this point and we have made good progress to date and estimate being able to issue a final Audit Results Report in December 2024, subject to satisfactory resolution of all outstanding matters including the receipt of an update on the position of the Council on its joint venture. This is later than planned (November 2024) as at the date of drafting this report, we are awaiting audit evidence to support samples in a number of areas of the audit, resolution of the issue concerning Council Dwellings valuation (see below) and have not yet received the group accounts. Details of each outstanding item, actions required to resolve, and responsibility is included in Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts. Please note that, until all our audit procedures are completed, further observations and issues may arise that may affect the findings of the audit, its outcome and our reporting to you.

Value for Money

In our Audit Planning Report Update dated 10 July 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures we have identified one potential area where a risk of significant weakness exists. See Section 03 of the report for further details.

Audit differences

From the work completed till date, we have identified the following mis-statements which exceeds our reporting threshold of £0.9m. The identified mis-statements remain uncorrected at this stage and under discussion with management:

<u>Council Dwelling Valuation:</u>

We identified that the 23/24 in-year additions of £135m are not included within the year end valuation exercise completed by the valuation specialist, Wilks Head & Eve. The matter, as well as the potential implications for the valuation, is currently under discussion with Council management and EY Local audit team.

<u>Classification of PPE Assets:</u>

Our testing of Property, Plant and Equipment identified that:

- Hibbert Street Garages had been incorrectly included within Land and Buildings rather than Investment property. This adjustment totalled £0.9m.

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Executive Summary (cont'd)

Audit differences (Cont'd)

- 152 Northcote road, Stag House and Rowditch Lane former garages had been incorrectly included within Assets Under Construction rather than Land and Buildings . This adjustment totalled £13.173m. We have proposed a control recommendation related to this finding in section 05.

<u>Investment Property Valuation:</u>

We identified a difference in the Magdalen Road valuation from the valuation report, where the property has been undervalued by £1.01m due to a higher yield percentage applied to the reversionary rent by management's external specialist, WHE, versus EY research. The council has agreed to correct this mis-statement.

<u>Creditors:</u>

We have identified some errors during our system creditors testing pertaining to the recording of goods received in the system based on purchase order details rather than actual evidence of the receipt of goods. The extrapolated mis-statement of £2m in system creditor year-end balance results in overstatement of creditor balance. The "extrapolated" mis-statements identified have arisen where a sample has been selected from a population and one, or more, sample items contain a mis-statement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated mis-statement.

We have proposed a control recommendation in section 05.

<u>Disclosures mis-statements:</u>

We have identified the following disclosure mis-statements:

- We identified a £5.05m and £3.80m (Net £1.25m) overstatement between the debtor and creditor balance in Financial instrument note (Note 20) and the related balances per our checking, respectively. This is due to the late correction of one debtor balance. The council has agreed to amend the disclosure to reflect the correct amount.

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Executive Summary (cont'd)

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of the work completed to date.

We will perform procedures required by the National Audit Office (NAO) on the Whole of Government Accounts following the completion of the financial statement audit. We have no matters to report.

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Wandsworth Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Fraud Risk	Findings & Conclusions to date
Mis-statement due to fraud or error	From our procedures to date, we have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements. Our work in this area is still ongoing and so it is possible that mis-statements may still be identified. We will provide an update at the committee on the 07 November.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	From the work completed to date, we have not identified any evidence of manipulation of expenditure through either incorrect capitalisation of revenue expenditure or within the Revenue Expenditure Funded from Capital Under Statute (REFCUS) balance. Our work in this area is still ongoing and so it is possible that mis-statements may still be identified. We will provide an update the at the committee on the 07 November.

Page 87

Executive Summary (cont'd)

Areas of audit focus (Cont'd)

Significant Risk	Findings & Conclusions to date
Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)	In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. For the five properties that fall under the scope of EY's internal specialist's work, our specialist has completed the evaluation of the sample and have not identified any significant discrepancies. The EY local audit team has concluded the testing on the remaining 15 properties and identified one reclassification mis-statement of £0.9m where the asset should be classified as an investment property instead of operational Property, Plant and Equipment. However, the concluded work remains subject to internal comprehensive review. We will update the committee if any significant issues are identified as part of review process.
Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)	In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of investment property valued on an EUV or FV basis. For the three properties that fall under the scope of EY's internal specialist's work, our specialist has completed the evaluation of the sample and have not identified any significant discrepancies. The remaining 9 properties are undergoing review by the EY local audit team. We have completed our evaluation of 7 properties, and discussions regarding the remaining 2 assets are ongoing with management and the external valuer. As a result of our work, we have identified one property being under-valued by £1.01m due to a higher yield percentage applied to the reversionary rent by management's external specialist, WHE, versus EY research. We will update the Committee on progress on this area.
Area of Audit Focus/ Inherent Risk	**Findings & Conclusions to date**
Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on a DRC Basis. For the one property that falls under the scope of the EY's internal specialist's work, our specialist has completed the evaluation of the sample and have not identified any significant discrepancies. The remaining 27 properties are undergoing review by the EY local audit team. We have completed our evaluation of 16 properties, and discussions regarding the remaining 11 are ongoing with management and the external valuer, WHE. To date, our audit work has not revealed any significant discrepancies. We will update the Committee on progress on this area
Valuation of Housing Revenue Account (HRA) properties	We have completed the valuation testing on HRA Properties. We have completed the valuation testing on HRA Properties and as a result of our work, we noted that HRA additions / enhancements of £135m in 23/24 were not valued in the year. Council officers and the Council's valuers (WHE) are currently in the process of assessing how much of an impact this might be. We will update the Committee on progress on this area..

Page 88

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Executive Summary (cont'd)

Areas of audit focus (Cont'd)

Area of Audit Focus/ Inherent Risk	Findings & Conclusions to date
Pension Liability Valuation	In addition to the work undertaken by the local audit team we also employed the use our own expert to support the work on the Council's pension liability valuation including the roll-forward of liabilities. We have received the draft memorandum with regards to the Council's pension liability by the EY Pensions specialist which is currently under review by EY Local audit team. No material audit difference has been identified by EY Pensions team. However, the comprehensive review and related documentation is currently under progress by the local audit team. We will update the Committee on progress on this area at the meeting on 07 November.
Community Infrastructure Levy (CIL) Debtors	No material audit differences have been identified from our work to address this risk at the time of writing this report, but as noted above (Section 01- Status of the audit) , this is one of the outstanding areas. We will update the Committee on progress on this area.
IFRS 16-Leases	No issues have been identified in this area to date.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.

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Executive Summary (cont'd)

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.
As part of our work, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal controls, we are required to communicate to you significant deficiencies in internal control identified during our audit.
During the audit, we identified three areas as part of the 2023/24 audit for the Committee's attention relating to the property, plant and equipment capitalization; PPE classification, and system creditors. See section 5.

There are no other matters we wish to report.

Independence

Please refer to Section 07 for our update on Independence. We have no matters to bring to your attention relating to independence.

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02 Areas of Audit Focus

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Areas of Audit Focus

Presumptive risk of management override of controls

mis-statements due to fraud or error

Fraud Risk

What is the risk?

The financial statements as a whole are not free of material mis-statements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What is the status of our work

Our audit work completed up to the time of writing this report has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

However, our journals testing remains in progress.

At the time of writing, our work in these areas has not resulted in amendment to the financial statements, and no indication of fraud was identified.

Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- Identified fraud risks during the planning phase of the audit, which reflect the significant fraud risk recognised in this report (the risk of inappropriate capitalisation of expenditure).
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks in this report.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
  - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments in the preparation of the financial statements.
  - Evaluated the business rationale for significant unusual transactions outside the normal course of business.
  - Assessed accounting estimates for evidence of management bias through undertaking a detailed review of accounting estimates for evidence of bias (such as valuation of land and buildings (PPE) ,investment property and IAS 19 pension balances) and substantively tested unusual or unexpected transactions.
  - We considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material mis-statement due to fraud.

Page 92

Areas of Audit Focus (cont'd)

Significant Risk

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

Fraud Risk

What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material mis-statements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Mis-statements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focusing our testing on capital additions and REFCUS.

PPE/IP: Additions totalled £173.9 million in the 2023/24 unaudited financial statements.

REFCUS: totalled £19 million in the 2023/24 unaudited financial statements.

We focus on the Council's judgements to classify expenditure as either revenue or capital in nature.

Our response to the key areas of challenge and professional judgement

In response to this risk, we;

- Tested a sample of Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- For the sampled assets, we assessed whether the capitalised spend clearly enhances or extends the useful life of the asset rather than simply repairing or maintaining the asset on which it is incurred.
- For the sampled assets, we considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested a sample of REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year

What is the status of our work

Our audit work completed at the time of writing this report has not identified any material issues indicating manipulation through incorrect capitalisation of revenue expenditure within the property, plant and equipment additions balance and in the REFCUS balance within the financial statements.

We note that our audit procedures are still ongoing and will run up to the date of signing the audit opinion (as is the case for all fraud risks). We will provide a verbal update at the meeting on 07 November.

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Areas of Audit Focus (cont'd)

Significant Risk

Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)

Significant Risk

What is the risk, and the key judgements and estimates?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

At 31 March 2024, the value of land and buildings valued at EUV/FV is £120 million.

We focus on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Considered the work performed by the Council's valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work, and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuations. Additional work has been completed on this area including a detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure that all assets were valued within a 5-year rolling programme, as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 using the indices from the Local Government (LG) benchmarking report to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

What is the status of our work

In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. For the five properties that fall under the scope of EY's internal specialist's work, our specialist has completed the evaluation of the sample and has not identified any significant discrepancies. The EY local audit team has concluded the testing on the remaining 15 properties and identified one reclassification mis-statement of 0.9m where the asset should be classified as investment property instead of operational Property, Plant and Equipment.

However, the concluded work remains subject to our internal review process. We will update the committee if any other significant issues are identified as part of review process.

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Areas of Audit Focus (cont'd)

Significant Risk

Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)

Significant Risk

What is the risk, and the key judgements and estimates?

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment property assets valued on an EUV/FV basis totalled £69.41 million in 2023/24 based on the unaudited financial statements.

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Considered the work performed by the Council's valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work, and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (as necessary – such as significant or unusual movements in valuation, difficult to value specialist assets, etc).
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that valuation was undertaken to ensure all investment property had been valued in year as required by the Code.
- Confirmed that a valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have been occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries have been correctly processed in the financial statements.

What is the status of our work

In addition to the work undertaken by the local audit team, we have employed the use of our own valuation expert to support the work in relation to the valuation of investment property assets valued on an EUV/FV basis. For the three properties that fall under the scope of EY's internal specialist's work, our specialist has completed the evaluation of the samples and has not identified any significant discrepancies. The remaining 9 properties are undergoing review by the EY local audit team. We have completed our evaluation of 7 properties, and discussions regarding the remaining 2 assets are ongoing with management and the external valuer.

As a result of our work, we have identified one property being under-valued by £1.01m due to a higher yield percentage applied to the reversionary rent by management's external specialist, WHE, versus EY research. We will update the Committee on further progress on this area at the meeting on the 07 November.

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Areas of Audit Focus (cont'd)

Inherent Risk

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

Inherent Risk

What is the risk, and the key judgements and estimates?

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make judgemental inputs (i.e., build costs, MEA, EUL, etc.) and apply estimation techniques to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and also the insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2024, the value of land and buildings subject to DRC valuation was £905 million.

Our response to the key areas of challenge and professional judgement

In response to the risk, we;

- Considered the work performed by the Council's external valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation, difficult to value specialist assets. Additional work has been completed on this area including derailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure that all assets were valued within a 5-year rolling programme, as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 using the indices from the Local Government (LG) benchmarking report to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

What is the status of our work

We employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on a DRC basis for a sample of one asset. Our specialist has concluded the evaluation of the sample and has not identified any material discrepancies. The remaining 27 properties are undergoing review by the EY local audit team. We have completed our evaluation of 16 properties, and discussions regarding the remaining 11 are ongoing with management and the external valuer. For the remainder of the assets which are not subject to review by our own expert, no significant or material issues have been identified from the work completed till date. No material audit differences have been identified from our work to address this risk at the time of writing this report. We will provide an update on further progress in respect of the testing of DRC assets at the meeting on 07 November.

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Areas of Audit Focus (cont'd)

Inherent Risk

Valuation of Housing Revenue Account (HRA) properties
Inherent Risk

What is the risk, and the key judgements and estimates?

Valuation of Housing Revenue Account (HRA) properties

The value of HRA properties represents a significant balance in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties, being valued at Existing Use Value for Social Housing (EUV-SH) using Beacon approach, are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2024, the value of HRA properties was £1.8bn based on the unaudited financial statements.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Considered the work performed by the Council's external valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work, and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation, difficult to value specialist assets. Additional work has been completed on this area including derailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using beacon approach.
- Confirmed that the valuation was undertaken to ensure that all assets were valued within a 5-year rolling programme, as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 using the indices from the Local Government (LG) benchmarking report to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

What is the status of our work

We have completed the valuation testing on HRA Properties. As a result of our work, we noted the 23/24 additions of £135m are not valued in the year resulting in a difference between the Fixed Asset Register and the valuation report provided by the valuer. This issue is currently under discussion with Council management and the EY local audit team. We will update the Committee on progress on this area at the meeting on 07 November.

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Areas of Audit Focus (cont'd)

Inherent Risk

Pension liability valuation

Inherent Risk

What is the risk, and the key judgements and estimates?

Pension liability valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund deficit is a material estimated balance, and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024, the Council has reported a change from a net asset position to a net liability (£356.2 million asset in 2022/23 to a £7.2 million liability in 2023/24). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Liaised with the auditors of Wandsworth Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- Assessed the work of the pension fund actuary, Barnett Waddingham, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors and considering any relevant reviews by the EY actuarial team.
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What is the status of our work

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham.

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Areas of Audit Focus (cont'd)

Inherent Risk (cont'd)

Pension liability valuation

Inherent Risk

What is the status of our work

We have received the draft memorandum on Council's pension liability by EY Pensions specialist which is currently under review by EY Local audit team. No material audit difference has been identified by EY Pensions team . However, the review and related documentation is currently under progress by local audit team.

We are also still waiting for the response from the pension fund auditors in respect to letter requesting assurances over the information supplied to the actuary in relation to the Council IAS 19 letter.

From the work completed to date, we have not identified any material or significant issues.

Page 99

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Areas of Audit Focus (cont’d)

Inherent Risk

Community Infrastructure Levy (CIL) Debtors

Inherent Risk

What is the risk, and the key judgements and estimates?

As part of our debtors testing for the 2021/22 audit, we identified a difference between the CIL debtors as outlined in the aged debtors report and as per the CIL excel Monitoring Spreadsheet to track movements within the CIL debtors throughout the year. The Council’s listing of CIL debtors therefore did not reconcile to the ledger or accounts, with a difference of £31m.

As the reason for this variance is that the Council is maintaining the spreadsheet rather than making invoice-level adjustments directly on the ledger, we have asked the Council to prepare a working paper that properly sets out the CIL debtor position and reconciles to the ledger, to allow us to undertake detailed substantive testing of the balance

Management will need to undertake a significant exercise to document the CIL income due and the outstanding debtor amount due in preparation for the 2023/24 financial statements.

Our response to the key areas of challenge and professional judgement

In response to the risk we:

- Obtained the working paper prepared by the Council setting out the debtor position and the reconciliation to the ledger.
- Examined the reconciliation prepared by the Council and investigating any reconciling items included.
- Undertook substantive testing of the balance to ensure the debtors included on the balance sheet are fairly stated.
- Scrutinized manual journal entries and adjustments made to the subledger and general ledger for appropriateness and authorization.

What is the status of our work

Our work is currently in progress in this area and remains subject to review. No material audit differences have been identified from our work to address this risk at the time of writing this report. We will update the Committee of progress in this area at the meeting on 07 November.

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Areas of Audit Focus (cont'd)

Inherent Risk

IFRS 16 - Leases

Inherent Risk

What is the risk, and the key judgements and estimates?

Implementation of IFRS 16 (Leases) has been deferred and will be mandatorily implemented in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2024/25.

The Council must however undertake the preparation of a comprehensive readiness assessment in advance of the implementation date. This assessment should disclose all known or reasonably estimable information pertinent to evaluating the potential impact that the standard will have on the financial statements during the initial period of application. The standard requires management to make significant judgments and estimates, particularly in determining the lease term, the discount rate, and the identification of lease components. These judgments and estimates are inherently uncertain.

In the draft unaudited financial statements, an estimate of the potential impact of IFRS 16 in 2024/25 has been included which is £31.2 million in long term assets.

Our response to the key areas of challenge and professional judgement

In response to the risk we:

- Reviewed the Council's impact assessment.
- Assessed that council has used an appropriate methodology for calculating the potential impact on the financial statements i.e. right-of-use assets and lease liabilities.
- Evaluated the reasonableness of the assumptions and estimates used in the impact assessment, such as the discount rate, the lease term, and the identification of lease and non-lease components.
- Engaged in discussions with management to understand their judgments and decision-making process related to the impact assessment.

What is the status of our work

The Council have provided us with their IFRS assessment. Our work is currently in progress in this area and remains subject to review. We have held discussions with management on the approach adopted and their conclusions reached. We will update the Committee of progress in this area at the meeting on 07 November.

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03 Value for Money

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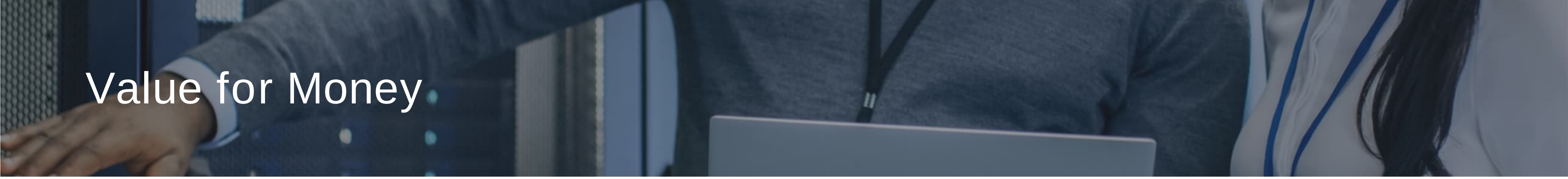


Value for Money

The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

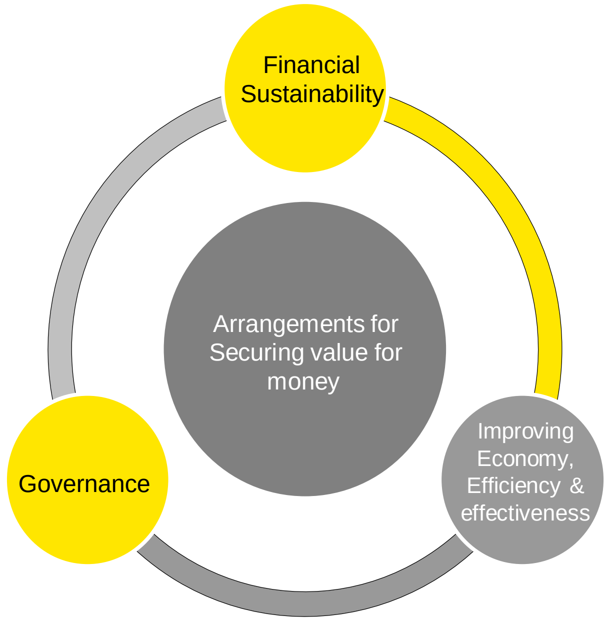
We are required to consider whether the Council has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council’s arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council’s arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and we have identified one risk of significant weaknesses in arrangements. This is in respect of the Council’s joint venture and specifically the future direction of the joint venture – Winstanley & York Road Regeneration (WYRR) LLP. We are aware that the Council are receiving specialist advice in order to manage any risks in this area. The risk of significant weakness in arrangements is in respect of the Governance sub-criteria.



Page 103

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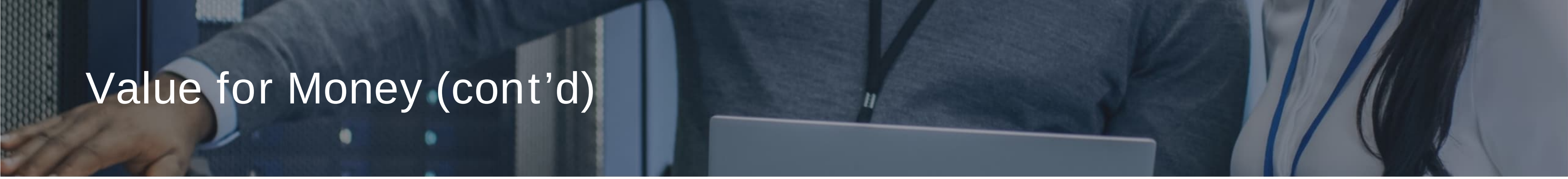
Value for Money (cont’d)



Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
We are aware from our discussions with senior officers that the Council is currently engaged in negotiations with its joint venture partner with regards the future direction of the joint venture. This is the Winstanley York Road Regeneration LLP. We are aware that the Council are receiving specialist advice in order to manage any risks in this area.	Governance: How the Council ensures that it makes informed decisions and properly manages its risks	*Our approach will focus on:* *• Reviewing relevant documentation including, where applicable, advice supplied by either internal or external specialists ;* *• Review of minutes and key decisions;* *• Meeting with senior officers to understand the latest position with regards the joint venture.*

Findings

We will issue our VFM narrative commentary in our 2023/24 Auditor’s Annual Report which we expect to issue in December 2024.

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04 Audit Differences

Page 105

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Audit Differences

In the normal course of any audit, we identify mis-statements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

At the time of writing, we have identified a number of classification mis-statements which exceeded our performance materiality of £9.9m and which relate to the mis-classification of 3 operational assets being incorrectly classified as Assets Under construction in the Fixed Asset Register. The adjustments totalled £13.17m.

Minor disclosure changes have been made throughout the financial statements in response to auditor queries.

Uncorrected mis-statements above our clearly trivial threshold of £0.9m are mentioned in section 01 above.

As the audit is still in progress it is possible that further mis-statements may be identified. We will provide a verbal update at the committee meeting on 07 November, and we will provide an update in our final Audit Results Report.

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05 Assessment of Control Environment

Page 107

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide or at components.

The table below provides an overview of the ‘high’ ‘moderate’ and ‘low’ rated observations we have from the 2023-24 audit (including IT controls). At the completion of the audit we will issue a formal management letter containing all of the identified points. We have identified three recommendations to management which are identified as result of our detailed testing.

The control recommendation points communicated in Final 21/22 Audit Results Report related to Journals, Recharges and section 106. Our testing in is in progress on these areas. We will update the committee whether these recommendations remains relevant for 23/24.

	High	Moderate	Low	Total
Open at March 2022	0	0	5	5
Closed during FY23/24	0	0	TBC	TBC
New points raised in FY24	0	2	1	3
Total open points as at March 2024	0	2	TBC	TBC

Key:

- (Green) A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.
- (Amber) Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- (Red) Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

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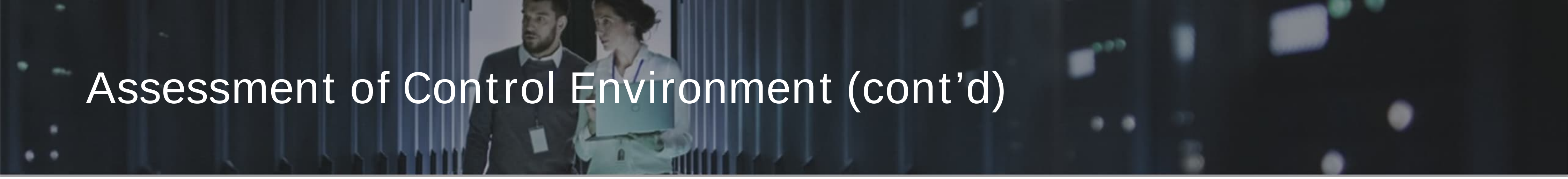

Assessment of Control Environment (cont'd)

Area	Property, Plant and Equipment Classification	Rating	Moderate
Observation	We observed that assets listed in the Fixed Asset Register under the category of "Assets Under Construction" have, in fact, reached completion and should consequently be reclassified as operational Property, Plant and Equipment (PPE). We recommend instituting a comprehensive annual review process to ensure that Assets Under Construction are accurately categorized.		
Impact	The misclassification of assets in the Fixed Asset Register can lead to subsequent inaccuracies in asset valuation and depreciation charge, as assets categorized as "Assets Under Construction" are not subject to year-end valuation and depreciation which may result in distortion of the depreciation expense and surplus/deficit on asset valuation in the financial statements.		
Management comment	Agreed. An annual review process is in place but this will be strengthened to ensure that Assets Under Construction are accurately categorized.		

Area	Property, Plant and Equipment Additions Cut-off	Rating	Moderate
Observation	We have identified that for certain assets capitalized as additions during the year, it is challenging to ascertain the specific period to which the cost pertains, thus hindering our ability to confirm that they have been capitalized in the appropriate fiscal year. We recommend the establishment of a robust framework for determining proper capitalization of costs to ensure accuracy and consistency in financial reporting.		
Impact	The timing of asset capitalization affects the balance sheet and income statement. If costs are capitalized in the wrong period, assets may be overstated or understated in a given fiscal year, leading to inaccurate representation of the financial position. Further, capitalizing cost in the incorrect period can have impact on the year depreciation and surplus/deficit on asset valuation.		
Management comment	Management are reviewing this process and full management comment will be provided after analysis has been complete with WHE and EY,		

Page 109

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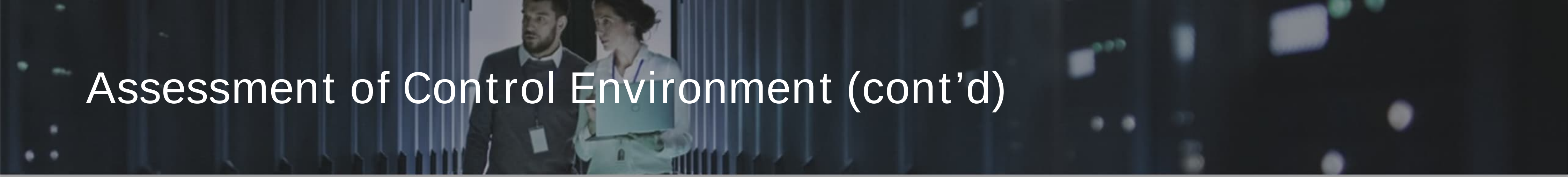

Assessment of Control Environment (cont'd)

Area	System Creditors Cut-off	Rating	Low

Observation	We observed that in few instances recording of goods received in the system has been aligned with the purchase order details instead of being based on the actual evidence of the receipt of goods which led to an overstatement of creditor balances, as not all items listed in the purchase orders have been physically received in FY23-24. We recommend thorough management review process for the assessment of year-end creditor balances, ensuring that the liabilities recorded are a true representation of the goods actually received.
Impact	If creditors are recorded in the wrong period, it can lead to inaccuracies in the balance sheet and income statement. Liabilities and related expenditure may be overstated if the creditors were recorded too early
Management comment	Partially agreed. The Council has a robust methodology for estimating accruals which can on rare occasions include using remaining values of contracts where the final invoice has not arrived and there is no other source of estimation. At each closing period the Council will continue to provide accrual guidance based on best practice

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06 Other Reporting Issues

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Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Wandsworth Borough Council Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Wandsworth Borough Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The NAO are yet to release their group instructions for 2023/24. We will perform the procedures required by the National Audit Office on the Whole of Government Accounts submission following the completion of the financial statements audit.

The audit certificate will be issued once this work is complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

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Other Reporting Issues (cont'd)

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations

We have no matters to report at the time of writing of this report.

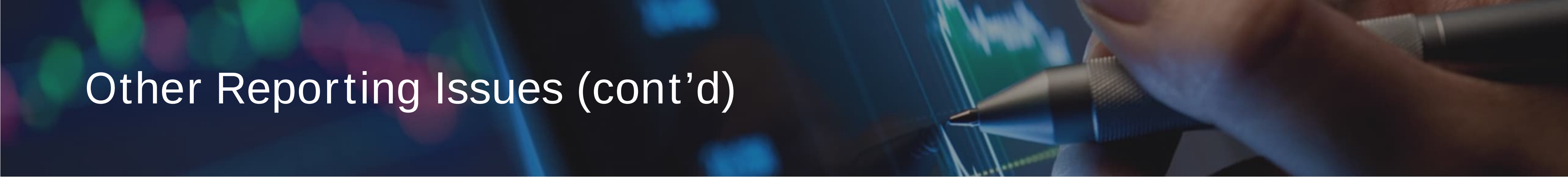
In respect of the following we have the following matters to report:

Group audits – Winstanley York Road Regenartion LLP (WYRR):

> As at the date of this report we still have not yet received the draft accounts for WYRR LLP. We therefore have not been able to complete our work in respect of the consolidation of WYRR LLP into the Group. We understand from our ongoing discussions with officers that the Council is actively engaged with the partner in the joint venture with regards the future direction of the partnership. The joint venture has also been flagged at sections 3 (Value for Money) and Appendix D (outstanding matters).

We have no other matters to report at the time of writing of this report.

We anticipate that the current year audit report may be disclaimed with respect to opening balances and prior period comparatives within the current year financial statements. Further information on the impact of the audit report will be reported subsequently to the committee in the audit results report.



Other Reporting Issues (cont’d)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material mis-statement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

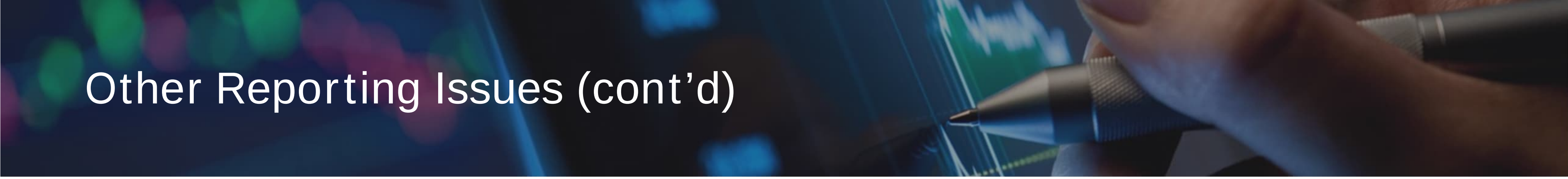
- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we are intending to disclaim the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material mis-statement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities (‘scalability’)
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table on the following page.



Other Reporting Issues (cont’d)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material mis-statement

Audit procedures	Audit findings and conclusions

We performed the following procedures:
 	
We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has two relevant IT applications for the purposes of ISA 315 risk assessment.
• We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
• When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
• We reviewed the following processes for all five relevant IT applications:
    • Manage vendor supplied changes
    • Manage security settings
    • Manage user access
    • Manage entity-programmed changes
    • Job scheduling and managing IT process
	No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process from the work completed till date. We have not tested the operation of any controls through this review.
	
	However, our work on this area is in progress and remains subject to review. We will update the Committee on the progress in this area at the meeting on 07 November.

07 Independence

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Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

The next page includes a summary of the fees due for the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.
We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

Page 117

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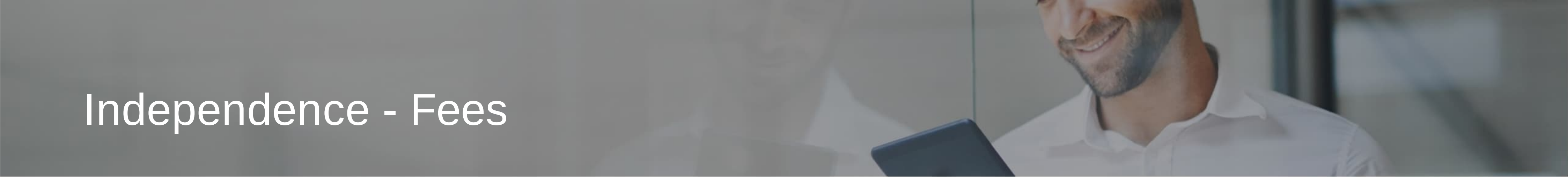

Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our account's opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year (2023/24)	Scale fee (2023/24)	Prior Year (2022/23)	2020/21 & 2021/22
	£m	£m	£m	£m
Total Fee – Code work	325,951	325,951	TBC - Note 1	86,559
Total audit	325,951	325,951	TBC	TBC
Other non-audit services not covered above (housing benefits)	TBC	TBC	TBC - Note 2	TBC-Note 2
Proposed scale fee variation	TBC- Note 3	TBC	TBC-Note 1	TBC-Note 2
Total other non-audit services	TBC	TBC	TBC	TBC
Total fees	TBC	TBC	TBC	TBC

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by system leaders, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit. For 22/23 the planned fee represents the base fee of £111,861

(2) The base fee for 2020/21 and 2021/22 was £86,559 pa. The 2020/21 and 2021/22 work on the Council audit has been completed and a final fee is in the process of being determined by PSAA. The scale fee variation submitted to PSAA is £115,286 for 21/22 and £115,317 for 20/21. The 2022/23 housing benefit work has just been completed and a final fee will be determined shortly.

(3) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments and Modified financial statement opinions

Page 118

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Appendix A – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material mis-statement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

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Appendix B – Summary of communications

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Partner and Senior Manager have held monthly meetings with the Executive Director of Finance throughout the year.
July 2024- Audit Committee	23-24 Audit Planning Report	The partner in charge of the engagement and senior manager met with the Audit Committee members chair to discuss focus areas of the audit committee this year.
November 2024- Audit Committee	Draft 23-24 Audit Results/Update Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the Draft audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

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Appendix C - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	PSAA Terms of Engagement
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024
Planning and audit approach	Communication of: • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified When communicating key audit matters this includes the most significant risks of material mis-statement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024

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Appendix C - Required communications with the Audit Committee (cont’d)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
mis-statements	• Uncorrected mis-statements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected mis-statements related to prior periods • A request that any uncorrected mis-statement be corrected • Material mis-statements corrected by management	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Fraud	• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material mis-statement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024

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Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	• Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material mis-statement due to fraud • Any other matters related to fraud, relevant to Audit Committee responsibility.	
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024 Draft Audit results report presented at the Audit Committee meeting on 7 November 2024

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Appendix C - Required communications with the Audit Committee (cont’d)

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	• Management’s refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024

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Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material mis-statement of the group financial statements.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024 Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
System of quality management	• How the system of quality management (SQM) supports the consistent performance of a quality audit	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Material inconsistencies or mis-statements of fact identified in other information which management has refused to revise	• Material inconsistencies or mis-statements of fact identified in other information which management has refused to revise	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Final Audit Results Report which will be presented to the 11 March 2025 Audit Committee

Page 125

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Appendix D – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Land and building valuations and investment property valuation (DRC,FV)	EY to complete sample testing of asset valuations not subject to review by EY Real Estate after the Council has responded to EY follow up queries as well as testing the asset revaluation movements.	EY Management
Property, plant and equipment additions and REFCUS	Regarding the chosen sample of 84 assets, the EY audit team has concluded on 21 assets. Discussions are currently ongoing with the Council management to address EY's inquiries about the remaining assets in the sample and to reach a conclusion.	EY Management
Pension liability	EY Pensions to conclude on their assessment of the roll-forward of the Council's liability. EY Audit team to resolve any follow up point highlighted by EY Pensions. Council Pension Auditor to respond on IAS 19 letters.	EY
Other balance sheet balances incl CIL Debtors	EY to conclude testing on residual low volume samples on other balance sheet balances after Council has responded on follow up queries including cut-off procedures, provision for impairment procedures, and existence of balances.	EY Management
Key Disclosures incl officer's remuneration, exit packages and collection fund statement	EY to conclude on final procedures on key disclosures subject to management response on pending queries	EY

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Appendix D – Outstanding matters (cont’d)

Outstanding matters

Item	Actions to resolve	Responsibility
Income and Expenditure	For the combined sample of 303 for Income and Expenditure, the audit team has concluded the testing on 156 samples. Discussions are currently ongoing with council management to address EY’s follow up inquiries to reach a conclusion on the residual items.	EY Management
Group accounts-Winstanley and York Road Regeneration LLP (WYRR)	Management to prepare and provide Group accounts. EY to conclude on group procedures on WYRR	EY Management
Journals testing	This is conducted consistently throughout the examination of significant account balances. Subsequently, a focused review of predominantly P13/materially significant items is carried out toward the conclusion of the audit process. Consequently, this aspect of the audit remains active as concurrent testing in other areas progresses.	EY Management
Other usual conclusion procedures including Going concern, subsequent event, review of final version of accounts and receipt of signed letter of representation.	All of these relates to final close-down procedures which needs to be up-to-date at the point of signing of our audit report	EY Management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on [going concern, directors’ remuneration, climate-related matters and impairment sensitivities] remain to be finalised and audited.

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ED None

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Wandsworth Council

Un-audited Accounts for the year 2023/24

Un-Audited Accounts for the year 2023/24

www.wandsworth.gov.uk

Contents

Narrative Report

Introduction

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

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

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

Organisational Overview

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

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

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

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

The Council's Corporate Plan 2022-26 prioritises the issues that residents have told us matter to them and aims to create: a fairer Wandsworth, a compassionate Wandsworth and a more sustainable Wandsworth. The latest Corporate Plan can be viewed online at https://www.wandsworth.gov.uk/the-council/how-the-council-works/council-plans-and-policies/corporate-plan/

Operational Model

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

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

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

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

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

Risks and Opportunities

The Audit Committee of the Council has responsibility for monitoring the effective development and operation of risk management policies in the Council, making recommendations to the Executive on risk management procedures. The Annual Governance Statement again confirms that the Council's Risk Management Strategy is effective and well embedded into corporate management processes. The latest review of key risks and mitigating controls can be found here:
https://democracy.wandsworth.gov.uk/documents/s102489/A06%2023-111%20-%20Annual%20Review%20of%20Risk%20Management.pdf

Cost of Living

In response to cost of living pressures, during 2022/23 the Council set aside £5m in a Cost of Living Reserve to assist residents and businesses during the crisis. This has been topped up to a total pot of £15m during 2023/24 with £7.7m of this funding allocated to date, of which £2.5m has been spent in 2023/24. In addition the Council has maximised its use of the Government's Household Support Fund grant, spending in full all Household Support Fund tranches up to the end of 2023/24. Further plans continue during 2024/25 for this cost of living work.

Performance

As the Council's main strategy document, the Corporate Business Plan plays a key role in shaping the performance management framework for the Council. A suite of performance indicators is included within the Corporate Business Plan to help monitor performance and track progress on key issues for the Council. The Corporate Business Plan is published annually and the latest can be viewed on the Council's website at www.wandsworth.gov.uk/cbp.

Financial Performance

General Fund Revenue Budgets

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

Committee	Revised Budget £000	Actual £000	Over(+) Under (-) /Spend £000
Health	91,614	97,354	+5,740
Environment	47,322	47,090	- 232
Children's	90,038	91,831	+ 1,793
Finance	24,383	22,406	-1,977
Housing	21,597	23,847	+ 2,250
Transport	-5,541	-1,885	+ 3,656
Net service spend	**269,413**	**280,643**	**+11,230**
Treasury income	**-29,342**	**-40,760**	**-11,418**
Total Committee Expenditure	**240,071**	**239,883**	**- 188**

There are a number of budgets approved for 2023/24 but on a short-term basis that span the financial year end. The unspent budgets for these programmes (-£2.0m) need to be re-established ("slipped") into 2024/25 to enable completion of the programmes and the budgets for these are requested to be rolled over to 2024/25.

Significant demand pressures have been experienced during the year within social care services for adults and children, in particular within children looked after placements (£1.4m), learning disability services (£2.7m) and mental health demand (£2.1m). Both overall numbers presenting as homeless and increased net unit costs have also produced an overspend (£2.7m) within homelessness services and reduced parking income from lower parking activity due to ongoing behavioral changes since Covid-19 has caused further pressures (£2.7m). These pressures have been funded by higher income on investment balances (£11.4m).

Further information on the Council's financial performance is reported to the Finance Committee and the Executive in June/July of each year and the latest report will be available on the Council's website.

Revenue Reserves

The opening General Fund working balance was £14.7m at 1 April 2023 and was budgeted to drop in year to the agreed contingency level of £13.5m reflecting the spending of funds carried forward from 2022/23. The General Fund balance was finalised at £15.3m at 31 March 2024, with some of the in-year underspend set aside for specific projects. A subset of the Council's revenue reserves, summarised in Note 13 have increased by £4.4m to £219.1m. When considered as a whole, earmarked reserves have increased by £2.2m during the year from £371.6m to £373.8m.

Treasury Management

Treasury investment income performed very well over the year as a direct result of a high interest rate environment. Higher returns than budgeted were due to a number of factors including higher opening cash balances than anticipated when the budget was set, increases in the Bank of England Base Rate in an effort to combat inflation, 2023/24 capital programme reprofiling reflecting spend being lower than expected, and other large receipts received in year.

External debt reduced from £35.0m to £17.8m continuing the repayment of the long-term borrowing taken up for the Housing Revenue Account subsidy buyout in 2012.

Capital Expenditure

Capital expenditure for the year, excluding expenditure on council housing, was £62.7m. The outturn against planned budget was as follows:

Committee	Budget 2023/24 £'000	Expenditure 2023/24 £'000	Variance 2023/24 £'000
Health	1,249	763	-486
Environment	6,260	6,205	-55
Children's	25,110	24,834	-276
Finance	15,534	10,615	-4,919
Housing	1,387	1,147	-240
Transport	22,486	19,169	-3,317
Total	**72,026**	**62,734**	**-9,292**
Financed by:			
Capital Receipts	13,558	9,492	
Grants and Reimbursements	15,822	14,235	
CIL and Section 106 Receipts	41,107	38,243	
Revenue Contributions	1,539	764	
Total	**72,026**	**62,734**	

Unspent budget on schemes will be slipped into future years where appropriate. At the end of the year the Council held £13.5m (£20m 2022/23) of General Fund usable capital receipts.

Schools Budget

The Dedicated Schools Budget (DSB) was overspent by a net total of £3.4m in year. The main pressures are in the High Needs Block. The main drivers of expenditure are increased volumes of Education, Health and Care Plans (EHCPs), complexity of need, as well as the increased average cost of school placements in the independent sector, compounded by reaching capacity in local state funded special school provision. The number of EHCPs granted nationally has steadily increased over the years and this is reflected in Wandsworth. The deficit brought forward from 2021/22 of £10.4m together with the in-year overspend leaves a deficit balance of £13.9m which will be carried forward into 2024/25. Further information on the impact of the overspend can be read about in the outturn report referenced above.

Council Housing

Housing Revenue Account (HRA) budgets for 2023/24 assumed net use of reserves in the year of £76.423m from an opening balance of £255.810m. Actual income and expenditure in the year generated a net deficit of £63.653m, with the variance largely resulting from the slippage between years in relation to the Council's regeneration and development capital programmes. Total reserve balances carried forward are therefore £192.157m. Of this £37.933m relates to the remaining balance on the Major Repairs Reserve and the balance, £154.224m, being the remaining balance on the HRA. These reserves are retained against the risk of future shortfalls on the ringfenced account, to fund future expenditure on major repairs and to contribute towards the Council's extensive investment in new stock including regeneration and development plans.

Collection Fund

The Collection Fund net deficit at the year-end was £11.9m: a £3.2m surplus in relation to Council Tax and a £15.1m deficit for Business Rates. The Council is liable for 30% of the Business Rates deficit which is collected from the General Fund over the next two years.

Group Accounts

The Council's has a joint venture with Taylor Wimpey UK Limited, Winstanley and York Road Regeneration LLP. The principal activity of the partnership centres around the regeneration of the York Road estate. This joint venture's draft accounts have not been consolidated as part of the Council's draft Group Accounts at this stage due to a timing difference. The joint venture's final accounts are due 9 months from their year-end date and the joint venture's board has agreed with their auditors that for 2023/24 they will work towards producing draft accounts whilst they finalise funding in the interim. The group accounts will therefore be consolidated during the Council's audit of 2023/24 and included in the audited accounts.

Pensions

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

The latest triennial valuation was on 31 March 2022. As at 31 March 2024 the Pension Fund has changed from having a net asset (surplus) of £356m to a net liability (deficit) of £7.2m. This figure is Wandsworth's share of pensions liabilities, so includes Wandsworth's share of the SSA staffing liabilities as well as pre-SSA costs of Council staff.

Any changes to the Pension Fund surplus or deficit is largely attributable to complex external factors and is heavily dependent on the assumptions made by the Council's actuary who values the Pension Fund and provides an estimate in this case of the shortfall in funds available to the Fund to meet all of its liabilities. Reasons for this decrease in 2023/24 include changes in demographic assumptions for both current and future pensioners, changes in financial assumptions which include a decreased discount rate increasing the net present value of projected liabilities, offset by increased investment returns. In addition there has been an accounting adjustment under International Accounting Standard 19 (IAS 19) for the prudent treatment of surplus' in pensions funds. This adjustment is known as an 'asset ceiling' adjustment and further explanation can be found in Note 44 of the Accounts.

<u>Outlook</u>

The Medium Term Financial Strategy (MTFS) details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding, inflation and increasing demographic pressures on services. The Council has a statutory duty to balance the budget year on year which can include the use of reserves, and reserve balances will continue to be reviewed annually as a result.

The current MTFS highlights the options available for meeting the anticipated funding gap. It identifies how a mix of efficiencies, economies and charge increases when combined with a planned run down of reserves will continue to allow for a balanced budget in the coming years. The overall aim of this approach is to protect, as far as is practicable, local services whilst enhancing working arrangements with other Councils and other public bodies, creating a sustainable financial position. An updated version will be published in September reflecting the continuing circumstances resulting along with other developments to the Council's finances.

Statement of Responsibilities

Responsibilities of the Council

The Council is required to:

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

Responsibilities of the Executive Director of Finance

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

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

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

The Executive Director of Finance has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of Wandsworth Council and group as at the 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Fenella Merry
Executive Director of Finance
7 November 2024

Date authorised for issue: This Statement of Accounts is authorised for issue on 7 November 2024 and any events up to this date are reflected in the note Events after the Balance Sheet date.

Comprehensive Income and Expenditure Statement

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

2022-23					2023-24		
Expenditure £000	**Income £000**	**Net £000**	*Notes*		**Expenditure £000**	**Income £000**	**Net £000**
337,165	(229,864)	107,301		Children’s	335,617	(248,272)	87,345
50,854	(11,365)	39,489		Environment	56,100	(11,383)	44,717
187,018	(158,541)	28,477		Finance	178,987	(154,466)	24,521
159,832	(87,213)	72,619		Health	177,868	(114,488)	63,380
54,263	(35,869)	18,394		Housing	60,625	(35,579)	25,046
153,901	(155,725)	(1,824)		Housing Revenue Account	206,666	(170,987)	35,679
70,796	(125,601)	(54,805)		Transport	87,979	(108,907)	(20,928)
1,013,829	**(804,178)**	**209,651**		**Cost of Services**	**1,103,842**	**(844,082)**	**259,760**
66,010	0	66,010	*10*	Other Operating Expenditure	3,900	(13,683)	(9,783)
97,084	(114,124)	(17,040)	*11*	Financing and Investment Income and Expenditure	73,501	(139,991)	(66,490)
0	(271,596)	(271,596)	*12*	Taxation and Non-Specific Grant Income	0	(246,949)	(246,949)
1,176,923	**(1,189,898)**	**(12,975)**		**Surplus or Deficit on Provision of Services**	**1,181,243**	**(1,244,705)**	**(63,462)**
		(120,247)	*14*	Surplus or deficit on revaluation of Property, Plant and Equipment			20,931
		(502,724)	*44*	Remeasurement of the net defined benefit liability / asset			384,938
		(622,971)		**Other Comprehensive Income and Expenditure**			**405,869**
		(635,946)		**Total Comprehensive Income and Expenditure**			**342,407**

Balance Sheet

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

31 March 2023			**31 March 2024**
£000	*Notes*		**£000**
2,949,873	*14,15*	Property, Plant and Equipment	3,016,848
1,351	*16*	Heritage Assets	1,351
70,111	*17*	Investment Property	70,430
0	*18*	Intangible Assets	92
100,438	*20*	Long-Term Investments	124,320
38,644	*20*	Long-Term Debtors	38,565
3,160,417		**Long Term Assets**	**3,251,606**
561,746	*20*	Short-Term Investments	419,229
1,054	*24*	Assets Held for Sale	968
4,431	*19*	Inventories	4,019
125,248	*21*	Short-Term Debtors	156,199
87,742	*23*	Cash and Cash Equivalents	104,417
780,221		**Current Assets**	**684,832**
(17,808)	*20*	Short-Term Borrowing	(17,819)
(156,021)	*25*	Short-Term Creditors	(148,933)
(7,651)	*26*	Provisions	(9,653)
(7,709)	*39*	Grants Receipts in Advance - Revenue	(5,356)
(217)	*39*	Grants Receipts in Advance - Capital	(341)
(189,406)		**Current Liabilities**	**(182,102)**
(39,582)	*20*	Long-Term Creditors	(40,274)
(6,686)	*26*	Provisions	(4,212)
(17,202)	*20*	Long-Term Borrowing	0
356,220		Other Long-Term Liabilities	(7,225)
(4,867)	*39*	Grants Receipts in Advance - Capital	(5,918)
287,883		**Long Term Liabilities**	**(57,629)**
4,039,115		**Net Assets**	**3,696,707**
(847,399)	*27*	Usable Reserves	(780,133)
(3,191,716)	*28*	Unusable Reserves	(2,916,574)
(4,039,115)		**Total Reserves**	**(3,696,707)**

Fenella Merry 7 November 2024

Movement in Reserves Statement

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

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2023		**(14,647)**	**(371,636)**	**(153,456)**	**(20,013)**	**(102,354)**	**(185,292)**	**(847,398)**	**(3,191,716)**	**(4,039,114)**
Surplus or deficit on the provision of services	*CIES*	(54,607)		(8,855)				**(63,462)**		**(63,462)**
Other Comprehensive Income / Expenditure	*CIES*								405,869	**405,869**
Total Comprehensive Income and Expenditure		**(54,607)**	**0**	**(8,855)**	**0**	**0**	**0**	**(63,462)**	**405,869**	**342,407**
Adjustments between accounting basis and funding basis under regulations	*9*	50,816		9,061	6,498	64,421	(69)	**130,727**	(130,727)	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(3,791)**	**0**	**206**	**6,498**	**64,421**	**(69)**	**67,265**	**275,142**	**342,407**
Transfers to / from Earmarked Reserves	*13*	3,104	(2,131)	(973)				**0**	0	**0**
Increase or Decrease in 2023-24		**(687)**	**(2,131)**	**(767)**	**6,498**	**64,421**	**(69)**	**67,265**	**275,142**	**342,407**
Balance at 31 March 2024		**(15,334)**	**(373,767)**	**(154,223)**	**(13,515)**	**(37,933)**	**(185,361)**	**(780,133)**	**(2,916,574)**	**(3,696,707)**

	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022		**(16,221)**	**(317,923)**	**(147,799)**	**(31,391)**	**(135,033)**	**(179,985)**	**(828,352)**	**(2,574,817)**	**(3,403,169)**
Surplus or deficit on the provision of services	*CIES*	45,088		(58,062)				**(12,974)**		**(12,974)**
Other Comprehensive Income / Expenditure	*CIES*								(622,971)	**(622,971)**
Total Comprehensive Income and Expenditure		**45,088**	**0**	**(58,062)**	**0**	**0**	**0**	**(12,974)**	**(622,971)**	**(635,945)**
Adjustments between accounting basis and funding basis under regulations	*9*	(97,700)		52,878	11,378	32,679	(5,307)	**(6,072)**	6,072	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(52,612)**	**0**	**(5,184)**	**11,378**	**32,679**	**(5,307)**	**(19,046)**	**(616,899)**	**(635,945)**
Transfers to / from Earmarked Reserves	*13*	54,186	(53,713)	(473)				**0**	0	**0**
Increase or Decrease in 2022/23		**1,574**	**(53,713)**	**(5,657)**	**11,378**	**32,679**	**(5,307)**	**(19,046)**	**(616,899)**	**(635,945)**
Balance at 31 March 2023		**(14,647)**	**(371,636)**	**(153,456)**	**(20,013)**	**(102,354)**	**(185,292)**	**(847,398)**	**(3,191,716)**	**(4,039,114)**

Cash Flow Statement

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

2022-23 £000	*Notes*		2023-24 £000
(12,975)		Net (surplus) or deficit on the provision of services	(63,462)
(121,877)		Adjustment to surplus or deficit on the provision of services for noncash movements	(51,034)
85,851		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	75,452
(49,001)	*29*	**Net cash flows from operating activities**	**(39,044)**
153,561	*30*	Net cash flows from investing activities	2,123
(15,633)	*31*	Net cash flows from financing activities	20,246
88,927		**Net (increase) or decrease in cash and cash equivalents**	**(16,675)**
176,669		Cash and cash equivalents at the beginning of the reporting period	87,742
87,742		**Cash and cash equivalents at the end of the reporting period**	**104,417**

Note 1 - Accounting Policies

1.1 General Principles

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

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

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

1.2 Going Concern

The Council's financial statements are prepared on the Going Concern basis; that is, the accounts are prepared on the assumption that the authority will continue in operational existence in the foreseeable future. The provisions in the Code and the Financial Reporting Council's Practice (Note 10) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a Going Concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies such as Government reorganisation do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting. nOver recent years the Covid-19 pandemic and cost of living crisis has required continuous urgent responses from the Council to put in place provisions which support residents and businesses. The Council continues to identify local challenges and to put in place schemes to support residents and businesses.

The Council has undertaken cash flow modelling through to March 2026 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum headroom more than £370m as at 31 March 2025 and £340m as at 31 March 2026.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, twelve months from 7 June 2024. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £499.3m at

31 March 2024 and the overall limit for total borrowing under the Treasury Management Policy 2023/24 of up to £210m and 2024/25 of up to £295m. Long term external borrowing was £17m at the end of 2023/24 with no new long term borrowing taken in year. This demonstrates that the Council has sufficient liquidity over the going concern period.

1.3 Accruals of Income and Expenditure

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

Income

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

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

Expenditure

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

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

Interest

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

Debtor and creditor balances (accrual policy)

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

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

Utility payments

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

Income from Penalty Charge Notices (PCNs)

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

<u>De Minimis levels</u>

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

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

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

<u>Revenue from contracts with service recipients</u>

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

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

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

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

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

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

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

1.4 Cash and Cash Equivalents

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

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

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

1.5 Long term non-monetary assets

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

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

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

1.6 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. Materiality may be affected by the context and fluctuations of the economy i.e. changes in inflation.

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. IAS 8 includes the requirement to disclose, if retrospective restatement is impractical for a particular prior period, the circumstances that led to the existence of that condition and description of how and from when the error has been corrected.

1.8 Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.

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

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

1.9 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable because of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are generally charged on an accruals basis in the CIES if detailed notification of redundancy has been issued before 31 March (see accounting Policy 1.28).

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

Post-Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the CIES.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES.

- Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the CIES.

- Re-measurements of the net defined benefit liability (asset) comprising:

  - Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has occurred) and b) the effects of changes in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Wandsworth Council Pension Fund – cash paid as employer's and employees' contributions to the pension fund in settlement of liabilities.

- Benefits Paid (payments to discharge liabilities directly to pensioners) – a charge to the Pension Fund, reimbursed from the Council where there are unfunded discretionary benefits.

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

Discretionary Benefits

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

1.10 Fair value measurement

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

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

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

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

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

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

1.11 Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

Financial assets are generally classified into two types:

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

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

Amortised Cost

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

Where assets are identified as impaired because of an expectation that future cash flows might not take place because the borrower could default on their obligations under the contract, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. An assessment of credit risk is crucial in measuring any losses.

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

Fair Value through Profit and Loss

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

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

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

Changes in fair value are recognised in the Surplus or Deficit on the Provision of Services as they arise in the Financing and Investment Income and Expenditure line in the CIES.

For Pooled Investment Funds the Government has introduced a regulation to mitigate the effects of changes in fair value on the Council Tax payer for a period of 7 years from 1 April 2018 (IFRS 9 override). Changes in fair value are therefore transferred from the CIES to an account established solely for this purpose on the Balance Sheet. This account is called the Pooled Investment Funds Adjustment Account. In anticipation of the IFRS 9 override ending on 1 April 2025, the Council has set up and continued to contribute to a IFRS 9 Risk on Investments Earmarked Reserve.

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

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

Expected credit loss model

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority assesses small value similar loans as a group to avoid undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis.

Foreign Currency Translation

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

1.12 Government Grants and Contributions

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

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

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

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

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

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

1.13 Community Infrastructure Levy

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

1.14 Heritage Assets

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

Recognition

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

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

1.15 Intangible Assets

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

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

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

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

1.16 Inventories

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

1.17 Investment Property

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

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

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

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

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

1.18 Revenue Expenditure Funded from Capital under Statute

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

1.19 Leases

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

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.20 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but not less frequently than every 5 years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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

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

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

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

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

1.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.22 Reserves

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

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

1.23 VAT

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

1.24 Accounting for schools

Revenue Income and Expenditure

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

Capital

The Council holds all local authority maintained schools on the Balance Sheet. This includes foundation schools where the risks and reward of ownership are considered to lie with the Council. Voluntary aided schools are excluded from the Balance Sheet as the Council does not have the level of control over the sites to recognise them as assets. The same principle applies to academies. Capital expenditure on schools not on the Council’s Balance Sheet, such as voluntary aided schools, is treated as Revenue Expenditure Funded from Capital under

Statute (REFCUS). This represents capital spend relating to assets not owned by the Council and is reported through the CIES.

1.25 Council Tax and Business Rates

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

Accounting for Council Tax and Business Rates

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

1.26 Events After the Balance Sheet Date

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

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

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

1.27 Long Term Contracts

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

1.28 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

1.29 Redundancy Costs

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

1.30 Infrastructure Assets

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

Note 2 - Accounting Standards Issued, Not Adopted

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

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

Work has been undertaken to evaluate leases and contracts to establish the effect of IFRS 16 when in operation. Initial evaluations indicate that an estimated £31.2m would be added to the Council's Balance Sheet in 2024/25 as long term assets (i.e. operational leases in now treated as finance leases in). The Council has assumed at this stage short term lets fall under IFRS 16 and this accounts for £29.1m of this overall estimate. This would be shown on the Balance Sheet under the category of Property Plant and Equipment (PPE). The Council has identified some minor and historic leases as sale and leaseback arrangements which are below the de minimis level set for IFRS 16 adoption.

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

Note 3 - Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.

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

Shared Staffing Arrangement (SSA) with Richmond Council

Under the SSA many costs (largely staff costs) are shared between the two councils. Generally, the amounts charged to each council continue to be calculated by service area and apportioned according to each council's requirement for the SSA. A schedule is prepared and reviewed annually and details the apportionment (and methodology) of the shared costs. Full details on the basis for sharing costs was approved by the Council in April 2016 and can be found at the following link at Item 8 Appendix A:
https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=296&MId=5203&Ver=4
The majority of costs are split between the two councils based upon the latest annual budget apportionments in each council unless they do not work jointly, in which case costs are charged directly to the respective council. Non salary costs have not been charged as part of the SSA as in the main they are clearly attributable to a sovereign council unless relating to staffing in which case the costs follow the same apportionment as the staff they relate to.

The Council has a 100% owned subsidiary, Wandsworth BC Trading Limited. However the turnover of the subsidiary is not sufficiently material to include in the Council's Group Accounts.

The Council is part of a joint venture partnership; Winstanley and York Road Regeneration LLP (Winstanley and York) with Taylor Wimpey PLC to develop the York Road and Winstanley Estates. Both partners own 50% of the partnership.

The financial year end of the joint venture was 31 December with 2022 Accounts due to be filed with Companies House by 30 December 2023. As the audit of these Accounts had not been completed by that date the joint venture filed for a change (by one day) to the accounting reference date to allow a three-month extension. The revised date was then 30

December with a revised submission deadline for the 2022 audited Accounts of 29 March 2024. The audit of 2022 is now complete, and the audit opinion not modified. However, auditors of Winstanley and York Road, in forming their opinion, noted material uncertainty as to whether the joint venture was a going concern and is dependent on funding being received from both sides of the joint venture until the completion and sale of future units. At this time discussions around future funding remain ongoing, therefore if the joint venture's going concern status changed, the impact on the Council's Accounts is not deemed material and the Council would continue itself as a Going Concern. This is supported as per the following information.

As at 31 March 2024, in accordance with the legal agreements governing this development, the Council has put just over £38m of properties and land into the Joint Venture. Until the development phase reaches specific milestones the properties remain legally owned by the Council and will continue to be recognised as assets on the Council's Balance Sheet. The joint venture issued loan notes to the Council to cover the value of the land and properties. Until such time as the money is repaid, the Council would earn interest at 6% per annum which has been accrued in the Council's accounts. In addition, further land and property acquisitions valued at £17m have been purchased on behalf of the joint venture and invoiced. These properties remain owned by the Council and as such would not affect the Council's ability to continue as a Going Concern.

The joint venture's draft accounts have not been consolidated as part of the Council's draft Group Accounts at this stage due to a timing difference. The joint venture's final accounts are due 9 months from their year-end date and the joint venture's board has agreed with their auditors that for 2023/24 they will work towards producing draft accounts for July 2024 whilst they finalise funding in the interim. The group accounts will therefore be consolidated during the Council's audit of 2023/24 and included in the audited accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Judgements may be impacted by inflation and transactions that may have not been previously considered material may become material due to increased value.

There are a number of items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year:

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

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls. A 1% increase in depreciation has an impact of £0.5m.

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

The Council's external valuer is not aware of any specific impact to the value of assets within the portfolio. For the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. Notes 14 and 15 provide further information on Property, Plant and Equipment and Note 16 on Investment Property.

<u>Provisions</u>

At 31 March 2024, the Council had an insurance provision of £4.9m (£6.6m in 2022/23) based on claims lodged with, and values estimated by, the Council's insurer. The Council is responsible for funding claims up to high levels of excesses. In doing this, a provision is made for claims outstanding 31 March which are more likely than not to be settled. The Council takes the expert advice in the form of a regular insurance actuarial review of the self-insurance balance to ensure it is sufficient. The total balance at the end of 2023/24 is £9.7m (£14.8m at the end of 2022/23).

<u>Pensions Liability</u>

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. The Council's actuary is engaged to provide the Council with expert advice about the assumptions to be applied. For example a one year increase in life expectancy would result in an increase in the pension liability of £60m. However, the assumptions interact in complex ways.

During 2023/24, the Council's actuary has reported a change from a net pensions asset of £356m to a net liability of £7.2m. Reasons for this decrease in 2023/24 include changes in demographic assumptions for both current and future pensioners, changes in financial assumptions which include a decreased discount rate increasing the net present value of projected liabilities, offset by increased investment returns. In addition there has been an accounting adjustment under International Accounting Standard 19 (IAS 19) for the prudent treatment of surplus' in pensions funds. This adjustment is known as an 'asset ceiling' adjustment and further explanation can be found in Note 44.

<u>Arrears</u>

At 31 March 2024, the Council had debtors for a range of Council functions. These debts are reviewed annually, and provisions made principally based on the type and age of debt and taking into consideration the current economic climate. A prudent approach has been taken in setting sums aside with these factors in mind and this year also includes different levels for different types of debt.

Note 5 - Material Items of Income and Expense

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2023/24 the following material items are not disclosed on the face of the CIES and therefore separately disclosed:

- HRA capital receipts totalling £10.m were received in 2023/24 (£26.9m in 2022/3) including £6.6m Right to Buy receipts (£15.7m in 2022/23), of which none were required to be pooled to Government under amended statutory requirements alike to 2022/23. The total number of properties sold under the right to buy scheme were 26 in 2023/24 (67 in 2022/23).
- HRA capital grants and reimbursements totaling £28.6m were recognised in 2023/24 (£35.7m in 2022/23) which will be used to finance the HRA capital programme.
- From developments within the Nine Elms area the Council receives receipts from developers on an irregular basis which in part funded the Northern Line extension. In 2023/24 the Council received £43m in relation to a deed of agreement from Battersea Power Station (£25m in 2022/23) and made a payment to the GLA of £37.3m (£25m in 2022/23). Section 106 (S106) income from the South London Mail Centre site of £12.5m was received in 2023/24 (Nil in 2022/23). A further £2.1m was received in CIL during the year from developers across the wider Nine Elms area (£10.4m in 2022/23).

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director of Finance on 7 June 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 - Expenditure and Funding Analysis

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

Restated 2022-23				**2023-24**		
Net Committee Expenditure	**Adjustments**	**Net CIES Expenditure**		**Net Committee Expenditure**	**Adjustments**	**Net CIES Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
86,182	21,119	107,301	Children's	91,831	(4,486)	87,345
41,717	(2,228)	39,489	Environment	47,090	(2,373)	44,717
(8,942)	37,419	28,477	Finance	(18,354)	42,875	24,521
85,498	(12,879)	72,619	Health	97,355	(33,975)	63,380
16,680	1,714	18,394	Housing	23,847	1,199	25,046
0	(1,824)	(1,824)	Housing Revenue Account	0	35,679	35,679
(2,717)	(52,088)	(54,805)	Transport	(1,885)	(19,043)	(20,928)
218,418	**(8,767)**	**209,651**	**Net Cost of Services**	**239,884**	**19,876**	**259,760**
(216,845)	(5,781)	(222,626)	Other Income and Expenditure	(240,570)	(82,652)	(323,222)
1,573	**(14,548)**	**(12,975)**	**Surplus or Deficit on Provision of Services**	**(686)**	**(62,776)**	**(63,462)**
(481,943)			Opening Combined General Fund Balance	(539,740)		
1,573			Plus / less Surplus or Deficit on the General Fund	(686)		
(5,657)			Plus / less Surplus or Deficit on the Housing Revenue Account	(767)		
(53,713)			Plus / less movements to or from earmarked reserves	(2,131)		
(539,740)			**Total Combined General Fund Balance**	**(543,324)**		

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

2023-24	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Children's	(354)	(166)	(3,966)	(4,486)
Environment	356	(11)	(2,718)	(2,373)
Finance	145	(752)	43,482	42,875
Health	(50)	(44)	(33,881)	(33,975)
Housing	50	(18)	1,167	1,199
Housing Revenue Account	57,990	228	(22,539)	35,679
Transport	4,072	(23)	(23,092)	(19,043)
Net Cost of Services	**62,209**	**(786)**	**(41,547)**	**19,876**
Other Income and Expenditure	0	(20,707)	(61,945)	(82,652)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	**62,209**	**(21,493)**	**(103,492)**	**(62,776)**

2022-23	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Children’s	(1,577)	17,258	5,438	21,119
Environment	(286)	728	(2,670)	(2,228)
Finance	1,968	1,871	33,580	37,419
Health	275	3,280	(16,434)	(12,879)
Housing	0	1,169	545	1,714
Housing Revenue Account	21,280	4,044	(27,148)	(1,824)
Transport	364	1,510	(53,962)	(52,088)
Net Cost of Services	**22,024**	**29,860**	**(60,651)**	**(8,767)**
Other Income and Expenditure	0	(8,626)	2,845	(5,781)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	**22,024**	**21,234**	**(57,806)**	**(14,548)**

Note 8 - Expenditure and Income Analysed by Nature

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

2022-23 £000	Nature of Expenditure or Income	2023-24 £000
(291,848)	Fees, charges and other service income	(313,991)
(30,695)	Interest and investment income	(61,439)
(151,485)	Income from local taxation	(164,100)
(632,442)	Government grants and contributions	(613,007)
305,606	Employee benefits expenses	282,893
46,359	Support service recharge expenditure	57,100
601,404	Other service expenses	663,530
60,461	Depreciation, amortisation and impairment	100,385
796	Interest payments	506
4,956	Precepts and levies	3,900
0	Payments to Housing Capital Receipts Pool	0
61,054	Gain or loss on disposal of non-current assets	(13,682)
12,859	Movement in fair value of financial instruments	(5,557)
(12,975)	**Surplus or Deficit for Year**	**(63,462)**

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

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

2023-24	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Pension cost (transferred to (or from) the Pensions Reserve)	18,892	2,602				(21,494)
Changes in Fair Value of Pooled Investments	5,557					(5,557)
Council tax and NNDR (transfers to or from the Collection Fund)	(3,597)					3,597
Holiday pay (transferred to the Accumulated Absences reserve)	2,668	396				(3,064)
Transfer of Schools Budget deficit to DSG Unusable Reserve	(3,441)					3,441
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,540	(66,992)			(59,137)	121,589
Total Adjustments to Revenue Resources	**24,619**	**(63,994)**	**0**	**0**	**(59,137)**	**98,512**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,253	13,062	(16,315)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(74)	74			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0		0			0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		26,406		(26,406)		0
Borrowing or liabilities met from the Housing Revenue Account		33,661				(33,661)
Statutory Provision for the repayment of debt (transfer to the CAA)	453					(453)
Capital expenditure financed from revenue balances (transfer to the CAA)	22,491					(22,491)
Total Adjustments between Revenue and Capital Resources	**26,197**	**73,055**	**(16,241)**	**(26,406)**	**0**	**(56,605)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			22,839			(22,839)
Capital Receipts debited to the Capital Adjustment Account on Repayment of loans			(100)			100
Use of the Major Repairs Reserve to finance new capital expenditure				90,827		(90,827)
Application of capital grants to finance capital expenditure					59,068	(59,068)
Total Adjustments to Capital Resources	**0**	**0**	**22,739**	**90,827**	**59,068**	**(172,634)**
Total Adjustments	**50,816**	**9,061**	**6,498**	**64,421**	**(69)**	**(130,727)**

2022-23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources						
Pension cost (transferred to (or from) the Pensions Reserve)	(18,137)	(3,097)				21,234
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(12,859)					12,859
Council Tax and NNDR (transfers to or from the Collection Fund)	12,098					(12,098)
Holiday pay (transferred to the Accumulated Absences reserve)	(2,512)	(381)				2,893
Transfer of Schools Budget deficit to DSG Unusable Reserve	(5,822)					5,822
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(71,882)	(18,364)			(66,620)	156,866
Total Adjustments to Revenue Resources	**(99,114)**	**(21,842)**	**0**	**0**	**(66,620)**	**187,576**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	663	18,568	(19,231)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(191)	191			0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		25,834		(25,834)		0
Borrowing or liabilities met from the Housing Revenue Account		30,509				(30,509)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	441					(441)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	310					(310)
Total Adjustments between Revenue and Capital Resources	**1,414**	**74,720**	**(19,040)**	**(25,834)**	**0**	**(31,260)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			30,557			(30,557)
Capital Receipts on loan repayments debited to the capital adjustment account			(139)			139
Use of the Major Repairs Reserve to finance new capital expenditure				58,513		(58,513)
Application of capital grants to finance capital expenditure					61,313	(61,313)
Total Adjustments to Capital Resources	**0**	**0**	**30,418**	**58,513**	**61,313**	**(150,244)**
Total Adjustments	**(97,700)**	**52,878**	**11,378**	**32,679**	**(5,307)**	**6,072**

Note 10 - Other Operating Expenditure

2022-23 £000		2023-24 £000
4,956	Levies	3,900
61,054	Gains/losses on the Disposal of Non-Current Assets	(13,683)
66,010	**Total Other Operating Expenditure**	**(9,783)**

Note 11 - Financing and Investment Income and Expenditure

2022-23 £000		2023-24 £000
796	Interest payable and similar charges	506
(8,626)	Net interest on the net defined benefit liability (asset)	(20,707)
(19,521)	Interest receivable and similar income	(35,840)
(2,473)	Income and expenditure in relation to investment properties and changes in their fair value	(4,495)
12,859	Movement in fair value of financial instruments	(5,557)
(75)	Other (Trading Accounts)	(397)
(17,040)	**Total**	**(66,490)**

Note 12 - Taxation and Non-Specific Grant Income

2022-23 £000		2023-24 £000
(67,832)	Council tax income	(70,167)
(83,653)	Non-domestic rates income and expenditure	(93,932)
(61,365)	Non-ringfenced government grants and contributions	(35,230)
(58,746)	Capital grants and contributions	(47,620)
(271,596)	**Total**	**(246,949)**

Note 13 - Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2022 £000	Transfers In 2022-23 £000	Transfers Out 2022-23 £000	Balance at 31 March 2023 £000	Transfers In 2023-24 £000	Transfers Out 2023-24 £000	Balance at 31 March 2024 £000
General Fund Reserves:							
Financial Resilience Reserve	(100,882)	(3,463)	7,299	**(97,046)**	(5,097)	5,000	**(97,143)**
Pensions Resilience Reserve	(43,424)	0	0	**(43,424)**	0	850	**(42,574)**
Renewals Fund Service	(26,713)	(665)	495	**(26,883)**	(533)	1,176	**(26,240)**
Transformation Reserve	(11,683)	(99)	731	**(11,051)**	0	1,452	**(9,599)**
DSOs Reserve	(7,477)	(984)	708	**(7,753)**	(641)	470	**(7,924)**
Refugee and Homelessness Reserve	0	(7,374)	0	**(7,374)**	(9,104)	9,752	**(6,726)**
Cost of Living Reserve	0	(10,000)	1,600	**(8,400)**	(5,000)	2,470	**(10,930)**
Covid-19 Support Grant Reserve	(5,763)	0	5,763	**0**	0	0	**0**
Finite Services Fund	(1,410)	0	0	**(1,410)**	0	0	**(1,410)**
Specific Grant Reserve	(1,000)	0	0	**(1,000)**	0	0	**(1,000)**
Other	(1,064)	(739)	1,171	**(632)**	(1,671)	1,662	**(641)**
Subtotal	**(199,416)**	**(23,324)**	**17,767**	**(204,973)**	**(22,046)**	**22,832**	**(204,187)**
Insurance Reserve	(8,621)	(394)	793	**(8,222)**	(1,933)	0	**(10,155)**
IFRS 9 Investment Volatility Reserve	0	(1,500)	0	**(1,500)**	(3,300)	0	**(4,800)**
Education Balances	(16,139)	(15,485)	15,334	**(16,290)**	(13,059)	15,566	**(13,783)**
Collection Fund Volatility Reserve	(22,053)	(7,175)	13,698	**(15,530)**	(5,214)	2,570	**(18,174)**
S106 Revenue Reserves	(71,694)	(55,565)	2,138	**(125,121)**	(26,509)	28,962	**(122,668)**
Total General Fund	**(317,923)**	**(103,443)**	**49,730**	**(371,636)**	**(72,061)**	**69,930**	**(373,767)**

Note 14 - Property, Plant and Equipment

Movements to 31 March 2024	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
at 1 April 2023	1,668,500	1,102,618	31,336	21,382	39,607	**2,863,443**
Opening Balance Adjustments						**0**
Additions	135,757	30,396	3,279	438	4,078	**173,948**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(35,932)	(7,164)	0	0	0	**(43,096)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(66,757)	568	0	0	0	**(66,189)**
Derecognition – disposals	(2,559)	0	0	0	0	**(2,559)**
Reclassifications and transfer	0	0	0	0	0	**0**
at 31 March 2024	**1,699,009**	**1,126,418**	**34,615**	**21,820**	**43,685**	**2,925,547**
Accumulated Depreciation and Impairment						
at 1 April 2023	(0)	(2,178)	(21,387)	0	0	**(23,565)**
Depreciation charge	(25,211)	(9,615)	(1,056)	0	0	**(35,882)**
Depreciation written out to the Revaluation Reserve	14,820	7,431	0	0	0	**22,251**
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,387	1,028	0	0	0	**11,415**
at 31 March 2024	**(4)**	**(3,334)**	**(22,443)**	**0**	**0**	**(25,781)**
Net Book Value at 31 March 2024	**1,699,005**	**1,123,084**	**12,172**	**21,820**	**43,685**	**2,899,766**

Movements to 31 March 2023	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
at 1 April 2022	1,520,032	1,141,161	29,309	21,154	32,072	**2,743,728**
Additions	111,967	8,808	2,027	227	7,535	**130,564**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	73,062	23,707	0	0	0	**96,769**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(28,306)	939	0	0	0	**(27,367)**
Derecognition – disposals	(8,255)	(71,996)	0	0	0	**(80,251)**
Reclassifications and transfer	0	0	0	0	0	**0**
at 31 March 2023	**1,668,500**	**1,102,619**	**31,336**	**21,381**	**39,607**	**2,863,443**
Accumulated Depreciation and Impairment						
at 1 April 2022	(2)	(2,936)	(20,335)	0	0	**(23,273)**
Depreciation charge	(24,511)	(9,324)	(1,052)	0	0	**(34,887)**
Depreciation written out to the Revaluation Reserve	14,540	8,937	0	0	0	**23,477**
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,972	989	0	0	0	**10,961**
Derecognition – disposals	0	157	0	0	0	**157**
at 31 March 2023	**(1)**	**(2,177)**	**(21,387)**	**0**	**0**	**(23,565)**
Net Book Value at 31 March 2023	**1,668,499**	**1,100,442**	**9,949**	**21,381**	**39,607**	**2,839,878**
Net Book Value at 31 March 2022	**1,520,030**	**1,138,225**	**8,974**	**21,154**	**32,072**	**2,720,455**

Capital Commitments

At 31 March 2024, the Council had entered into a number of on-going contracts for the construction or enhancement of property, plant and equipment. The table below shows the details of outstanding contractual commitments over £0.5m.

2022/23 £0	Capital Scheme	2023/24 £0
0	Boroughwide Sprinkler Installations	2,877
4,611	Northcote Library Site Development	1,632
0	Boroughwide Sheltered Electrical Upgrades	1,310
0	Wendlesworth Estate	1,007
0	Henry Prince Estate	950
0	Argyle (Glen Albyn) Chobham Gardens	876
0	Fitzhugh Estate	840
0	Battersea Park Estate	797
0	Faylands Estate	712
0	Winstanley Estate	621
4,249	Balham East & West, Aldrington & Edgecombe Hall Estate	0
3,016	Randall Close Site Development	0
2,813	Arndale Estate Kitchens and Bathrooms Phase 11	0
2,350	Wandsworth Bridge Corrosion Protection	0
2,290	Tooting Bec Lido	0
1,067	Southmead Estate Roof & Decs Phase 2	0
1,052	Felsham Rd Roof renewal	0
1,051	Granard High Needs Phase 2	0
787	Primary School - Nine Elms	0
732	Fairfield Court Roof & Window Renewal	0
684	Fairfield Drive Window Renewals	0
655	Wandsworth Town Library Fit-Out (Fairfield)	0
644	Beacon Libraries Scheme - Putney Library	0
595	Wandsworth M & E decarbonisation	0
717	Other prior year schemes under £500k	0
27,313		**11,622**

Effects of Changes in Estimates

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

Revaluations

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls. A 1% increase in depreciation has an impact of £0.5m.

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

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

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

Note 15 – Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2022-23 £000		**2023-24 £000**
106,646	At 1 April	109,995
12,516	Additions	16,814
(9,167)	Depreciation	(9,727)
109,995	**at 31 March**	**117,082**

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

2022-23 £000		**2023-24 £000**
109,995	Infrastructure Assets	117,082
2,839,878	Other Property, Plant and Equipment	2,899,766
2,949,873	**at 31 March**	**3,016,848**

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

Note 16 - Heritage Assets

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

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

Various items have mainly been presented to the Council by well wishers or external bodies. Items have rarely been purchased, and there are no records of any disposals. The assets are stored either in the vault or in the Mayor’s parlour.

The insurance listing constitutes a register of the assets and the assets are measured at valuation and are not subject to depreciation. The valuations are at retail replacement value for insurance purposes as at 7 March 2019. They were carried out by JEMS, a firm of independent specialist appraisers and international jewellery consultants. There has been no movement in the carrying amount of the heritage assets since the valuations.

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

Note 17 - Investment Properties

31 March 2023		**31 March 2024**
£000	**Investment Property Income and Expenditure**	**£000**
(5,293)	Rental income from investment property	(4,185)
(5,293)	**Net (gain)/loss**	**(4,185)**

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

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

31 March 2023		**31 March 2024**
Non-Current		**Non-Current**
£000	**Investment Properties Movements in Year**	**£000**
72,928	Opening Balance	70,111
3	Acquisitions	9
(2,820)	Net gains/losses from fair value adjustments	310
70,111	**Balance at the end of the year**	**70,430**

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

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

Note 18 – Intangible Assets

The Council accounts for its software as an intangible asset. During 2023/24 the Council procured schools and housing software totalling £0.1m.

31 March 2023 £000		**31 March 2024 £000**
0	**Net Carrying amount at Start of Year**	**0**
0	Additions	95
0	Amortisation for the period	(3)
0	**Net Carrying Amount at the end of the year**	**92**

Note 19 - Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

	Consumable Stores		**Work in Progress**		**Total**	
	2022-23	**2023-24**	**2022-23**	**2023-24**	**2022-23**	**2023-24**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	723	804	3,817	3,627	4,540	4,431
Purchases	3,314	2,925	2,802	3,571	6,116	6,496
Recognised as an expense in the year	(3,233)	(2,846)	(2,992)	(4,062)	(6,225)	(6,908)
Balance Outstanding at Year End	**804**	**883**	**3,627**	**3,136**	**4,431**	**4,019**

Note 20 - Financial Instruments

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

	Non-Current Financial Assets				
	Investments		**Debtors**		**Total**
	31 Mar 23	**31 Mar 24**	**31 Mar 23**	**31 Mar 24**	**31 Mar 24**
	£000	**£000**	**£000**	**£000**	**£000**
Fair value through profit and loss	100,438	124,320	0	0	**124,320**
Amortised Cost	0	0	38,644	38,565	**38,565**
Total financial assets	**100,438**	**124,320**	**38,644**	**38,565**	**162,885**

	Current Financial Assets				
	Investments		Debtors		Total
	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 24
	£000	£000	£000	£000	£000
Amortised cost	561,746	419,229	64,996	109,666	**528,895**
Total financial assets	**561,746**	**419,229**	**64,996**	**109,666**	**528,895**

	Non-Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 24
	£000	£000	£000	£000	£000
Amortised cost	(17,202)	0	(39,582)	(40,274)	(40,274)
Total financial liabilities	**(17,202)**	**0**	**(39,582)**	**(40,274)**	**(40,274)**

	Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 Mar 23	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 24
	£000	£000	£000	£000	£000
Amortised cost	(17,808)	(17,819)	(81,107)	(98,948)	(116,767)
Total financial liabilities	**(17,808)**	**(17,819)**	**(81,107)**	**(98,948)**	**(116,767)**

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

	2022-23	2023-24
	£000	£000
Net gains or losses on		
Financial assets measured at fair value	12,859	(5,557)
Total Net Gains or Losses	**12,859**	**(5,557)**
Interest Revenue:		
Financial assets measured at amortised cost	(19,521)	(35,840)
Total Interest Revenue	**(19,521)**	**(35,840)**
Interest expense	796	506

Note 21 - Debtors

31 March 2023		31 March 2024
£000		£000
52,755	Trade Receivables	86,837
5,265	Prepayments	8,837
12,871	Housing Benefits	11,306
12,710	Other Local Authorities	6,002
16,741	Other Entities and Individuals	18,206
6,281	NHS Bodies	9,750
18,625	Central Government Bodies	15,261
125,248	**Total**	**156,199**

Note 22 - Debtors for Local Taxation

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

31 March 2023 £000		31 March 2024 £000
164	Less than three months	131
492	Three to six months	394
984	Six months to one year	789
4,556	More than one year	5,486
6,196	**Total**	**6,800**

Note 23 - Cash and Cash Equivalents

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

31 March 2023 £000		31 March 2024 £000
10,359	Cash and Bank balances	958
77,383	Short Term Deposits	103,459
87,742	**Total Cash and Cash Equivalents**	**104,417**

Note 24 - Assets Held for Sale

31 March 2023 Non-Current £000		31 March 2024 Non-Current £000
1,054	Balance outstanding at start of year	1,054
0	Revaluations	(86)
1,054	**Balance at the end of the year**	**968**

Note 25 – Creditors

31 March 2023 £000		31 March 2024 £000
(22,381)	Trade payables	(26,879)
(40,967)	Central Government Bodies	(22,365)
(31,298)	Other Local Authorities	(45,928)
(1,118)	NHS Bodies	(2,508)
(60,257)	Other Entities and Individuals	(51,253)
(156,021)	**Total Creditors**	**(148,933)**

Note 26 – Provisions

Current Provisions

2023-24	**Central Insurance Fund**	**Tree Root Claims**	**Business Rates Appeals**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening balance	(3,062)	(341)	(4,248)	0	(7,651)
Increase in provision during year	(968)	(11)	(13,706)	0	(14,685)
Utilised during year	115	0	12,568	0	12,683
Closing Balance	**(3,915)**	**(352)**	**(5,386)**	**0**	**(9,653)**

2022-23	**Central Insurance Fund**	**Tree Root Claims**	**Business Rates Appeals**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening balance	(3,044)	(319)	(3,110)	0	(6,473)
Increase in provision during year	(3,524)	(22)	(3,411)	0	(6,957)
Utilised during year	3,506	0	2,273	0	5,779
Closing Balance	**(3,062)**	**(341)**	**(4,248)**	**0**	**(7,651)**

Long Term Provisions

2023-24	**Central Insurance Fund**	**Tree Root Claims**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance	(3,536)	(3,069)	(81)	(6,686)
Increase in provision during year	0	(95)	0	(95)
Unused amounts reversed	2,569	0	0	2,569
Closing Balance	**(967)**	**(3,164)**	**(81)**	**(4,212)**

2022-23	**Central Insurance Fund**	**Tree Root Claims**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance	(3,922)	(2,871)	(81)	(6,874)
Change in Provision during the year	0	(198)	0	(198)
Unused amounts reversed	386	0	0	386
Closing Balance	**(3,536)**	**(3,069)**	**(81)**	**(6,686)**

Notes to the Provisions

The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £531,108 of each loss. The provision is mainly based on advice from the Council's insurer. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled. The Council provides for claims resulting from damage caused by Council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.

A provision is made each year for backdated Business Rate appeals and to cover its potential loss from future Valuation Office Agency (VOA) decisions. The amount set aside as at 31 March 2024 is £5.4m (£4.2 m at 31 March 2023).

2022-23 £000	Total Provisions	2023-24 £000
(13,347)	Opening balance	(14,337)
(7,155)	Increase in provision during year	(14,780)
5,779	Utilised during year	12,683
386	Unused amounts reversed	2,569
(14,337)	**Closing Balance**	**(13,865)**

Note 27 – Usable Reserves

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

Capital Receipts Reserve

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

31 March 2023 £000		31 March 2024 £000
(31,391)	Balance 1 April	(20,013)
(19,231)	Capital Receipts in year	(16,315)
191	Transfer to revenue reserves for disposals	74
(139)	Capital receipts on loan repayments	(100)
30,557	Capital Receipts used for financing	22,839
(20,013)	**Balance 31 March**	**(13,515)**

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at 31 March 2024.

31 March 2023 £000		31 March 2024 £000
(135,033)	Balance 1 April	(102,354)
(25,834)	Depreciation and Amortisation	(26,406)
58,513	Application to finance capital expenditure	90,827
(102,354)	**Balance 31 March**	**(37,933)**

Capital Grants Reserve

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

31 March 2023 £000		31 March 2024 £000
(179,985)	Balance 1 April	(185,292)
(66,620)	Capital grants recognised in year	(59,137)
61,313	Capital grants and contributions applied	59,068
(185,292)	**Balance 31 March**	**(185,361)**

Note 28 - Unusable Reserves

31 March 2023 £000		31 March 2024 £000
(1,132,538)	Revaluation Reserve	(1,100,630)
(1,728,549)	Capital Adjustment Account	(1,847,146)
(356,219)	Pension Reserve	7,225
(4)	Deferred Capital Receipts Reserve	(4)
(754)	Collection Fund Adjustment Account	2,843
7,521	Accumulated Absences Account	4,457
8,404	Pooled Investment Funds Adjustment Account	2,847
10,423	DSG Unusable Reserve	13,864
(3,191,716)	**Total**	**(2,916,574)**

Revaluation Reserve

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

31 March 2023 £000		31 March 2024 £000
(1,079,546)	Balance 1 April	(1,132,538)
(137,551)	Upward revaluation of assets	(88,926)
17,304	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	109,857
(120,247)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**20,931**
9,520	Difference between fair value depreciation and historical cost depreciation	10,657
57,735	Accumulated gains on assets sold or scrapped	320
67,255	**Amount written off to the Capital Adjustment Account**	**10,977**
(1,132,538)	**Balance 31 March**	**(1,100,630)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or additions to those assets under statutory provisions.

31 March 2023 £000		31 March 2024 £000
(1,636,656)	Balance 1 April	(1,728,549)
44,054	Charges for depreciation and impairment of non-current assets	45,610
16,406	Revaluation losses on non-current assets	54,773
0	Amortisation of intangible assets	3
13,492	Revenue expenditure funded from capital under statute	18,955
80,095	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	2,559
154,047	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	121,900
(67,255)	Adjusting Amounts written out of the Revaluation Reserve	(10,977)
86,792	**Net written out amount of the cost of non-current assets consumed in the year**	110,923
(30,557)	Use of Capital Receipts Reserve to finance new capital expenditure	(22,839)
(61,313)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(59,069)
(58,514)	Use of Major Repairs Reserve to finance new capital expenditure	(90,827)
(441)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(453)
(310)	Capital expenditure charged against the General Fund and HRA balances	(22,491)
(151,135)	**Capital financing applied in year:**	(195,679)
(30,509)	Borrowing or liabilities met from the HRA	(33,661)
2,820	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(310)
139	Capital Receipts debited to the Capital Adjustment Account on Repayment of loans	100
(1,728,549)	**Balance 31 March**	**(1,847,176)**

Pensions Reserve

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

31 March 2023 £000		31 March 2024 £000
125,271	**Opening Balance**	(356,219)
(502,724)	Remeasurements of the net defined benefit (liability)/asset	384,938
47,873	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,718
(26,639)	Employer's pensions contributions and direct payments to pensioners payable in the year	(29,212)
(356,219)	**Balance 31 March**	**7,225**

Deferred Capital Receipts Reserve

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

31 March 2023 £000		**31 March 2024 £000**
(4)	Balance 1 April	(4)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(4)	**Balance 31 March**	**(4)**

Collection Fund Adjustment Account

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

31 March 2023 £000		**31 March 2024 £000**
11,345	Balance 1 April	(754)
(12,099)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,597
(754)	**Balance 31 March**	**2,843**

Accumulated Absences Account

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

31 March 2023 £000		**31 March 2024 £000**
4,628	**Balance 1 April**	7,521
(4,628)	Settlement or cancellation of accrual made at the end of the preceding year	(7,521)
7,521	Amounts accrued at the end of the current year	4,457
2,893	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(3,064)
7,521	**Balance 31 March**	**4,457**

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains or losses made by the authority arising from increases in the value of its Pooled Investments that are measured at fair value through the CIES.

31 March 2023 £000		31 March 2024 £000
(4,456)	**Balance 1 April**	8,404
12,860	Changes in fair value of pooled investments	(5,557)
8,404	**Balance 31 March**	**2,847**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds accumulated deficits relating to the schools' budget. Where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

31 March 2023 £000		31 March 2024 £000
4,601	Balance 1 April	10,423
5,822	Increase / (Reduction) of Dedicated Schools Grant Deficit	3,441
10,423	**Balance 31 March**	**13,864**

Note 29 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2023 £000		31 March 2024 £000
(10,101)	Interest received	(29,356)
799	Interest paid	509
(9,302)	**Total**	**(28,847)**

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

31 March 2023 £000		31 March 2024 £000
(44,054)	Depreciation	(45,610)
(16,406)	Impairment and downward valuations	(54,773)
0	Amortisation	(3)
55,198	(Increase)/decrease in creditors	862
2,235	Increase/(decrease) in debtors	25,289
(108)	Increase/(decrease) in inventories	(412)

(21,234)	Movement in pension liability	21,494
(80,095)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(2,559)
(17,413)	Other non-cash movements charged to the surplus or deficit on provision of services	4,678
(121,877)	**Total**	**(51,034)**

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

31 March 2023 £000		31 March 2024 £000
19,231	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,315
66,620	Any other items for which the cash effects are investing or financing cash flows	59,137
85,851	**Total**	**75,452**

Note 30 - Cash Flow from Investing Activities

31 March 2023 £000		31 March 2024 £000
142,245	Purchase of property, plant and equipment, investment property and intangible assets	190,648
1,006,200	Purchase of short-term and long-term investments	90,485
449	Other payments for investing activities	371
(19,231)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16,315)
(913,000)	Proceeds from short-term and long-term investments	(219,500)
(63,102)	Other receipts from investing activities	(43,566)
153,561	**Net cash flows from investing activities**	**2,123**

Note 31 - Cash Flow from Financing Activities

31 March 2023 £000		31 March 2024 £000
(400)	Cash receipts of short-term and long-term borrowing	(375)
17,700	Repayments of short-term and long-term borrowing	17,562
(32,933)	Other payments for financing activities	3,059
(15,633)	**Net cash flows from financing activities**	**20,246**

Note 32 – Reconciliation of Liabilities from Financing Activities

	31 March 2023	Financing cash flows	Other non-cash changes	31 March 2024
	£000	£000	£000	£000
Short-term borrowing	(17,808)	17,187	(17,198)	(17,819)
Long-term borrowing	(17,201)	0	17,201	0
Total liabilities from financing activities	**(35,009)**	**17,187**	**3**	**(17,819)**

Note 33 - Agency Services

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

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

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

Note 34 - Pooled Budgets

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

<u>Better Care Fund (BCF) with Wandsworth Clinical Commissioning Group (Wandsworth CCG)</u>

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

2022-23	Better Care Fund	2023-24
£000		£000
(25,649)	Authority Funding	(26,139)
(16,875)	Partner Funding	(17,830)
(42,524)	Total Pooled Funding	(43,969)
25,649	Authority Expenditure	26,139

16,875	Partner Expenditure	17,830
42,524	Expenditure	43,969
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Joint Integrated Community Equipment Service with St George's University Hospitals Foundation Trust (St George's) and Central London Community Healthcare (CLCH)

This scheme was established on 1 April 2005 to create an integrated service for the provision of community based equipment for people with disabilities. Following a reorganisation of health provision in October 2017 the scheme expanded to include CLCH as well as Wandsworth Council and St George's. The net surplus of £0.3m (unchanged from 2022/23) is attributable to the Council. The Council wrote back its surplus to the General Fund and all expenditure incurred by St George's and CLCH was recovered in full.

2022-23	**Joint Integrated Community Equipment Service**	**2023-24**
£000		**£000**
(685)	Authority Funding	(555)
(1,605)	Partner Funding	(2,507)
(2,290)	Total Pooled Funding	(3,062)
407	Authority Expenditure	277
1,605	Partner Expenditure	2,507
2,012	Expenditure	2,784
(278)	**Net Surplus/Deficit on the Pooled Budget**	**(278)**
(278)	**Authority Share of the Net Surplus / Deficit**	**(278)**

Note 35 - Members' Allowances

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

2022-23		**2023-24**
£000		**£000**
1,022	Allowances	1,104
1,022	**Total Members' Allowances**	1,104

Note 36 - Officers' Remuneration

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

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

2023-24	*Notes*	**Salary & Other Payments** £	**Employers Pension Contributions** £	**Total** £
Chief Executive – M. Jackson	*1*	177,309	0	**177,309**
Executive Director of Children's Services - A. Popovici	*2*	214,210	40,897	**255,107**
Deputy Director of Children's Services - N. Pendry	*3*	158,448	30,264	**188,712**
Executive Director of Housing and Regeneration - B. Reilly	*4*	150,111	28,671	**178,783**
Executive Director of Environment and Community Services - P. Chadwick	*5*	133,267	25,454	**158,721**
Executive Director of Adult Social Care and Public Health - J. DeSouza	*6*	116,891	22,326	**139,217**
Deputy Director of Environment and Community Services	*7*	113,221	16,007	**129,228**
Assistant Chief Executive (Policy and Performance) - J. Evans	*8*	99,822	19,066	**118,888**
Executive Director of Finance - F. Merry	*9*	125,657	23,990	**149,647**
Assistant Director of Change and Customer Experience*	*10*	98,507	18,815	**117,322**
Assistant Director (Housing Management)	*11*	151,816	28,997	**180,813**
Assistant Director Education	*12*	150,131	28,675	**178,806**
Assistant Director (Regeneration and Development)	*13*	158,448	30,264	**188,712**
Director of Public Health	*14*	96,860	18,500	**115,360**
Assistant Director Business and Resources	*15*	152,573	0	**152,573**
		2,097,271	**331,926**	**2,429,196**

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

Notes to show Senior Officers' full SSA remuneration including salary and pension contributions are as follows:

Note 1 – The Chief Executive's total remuneration across the SSA in 2023/24 was £281,443.

Note 2 - The Executive Director of Children's Services' total remuneration in 2023/24 was £214,210 and the employer's pension contributions were £40,897. The Executive Director of Children's Services is charged 100% to Wandsworth.

Note 3 – The Deputy Director of Children's Services' total remuneration, in 2023/24, was £158,448 and the employer's pension contributions were £30,264. The Deputy Director of Children's Services is charged 100% to Wandsworth.

Note 4 – The Executive Director of Housing and Regeneration's total remuneration across the SSA in 2023/24 was £238,272 and the employer's pension contributions were £45,510.

Note 5 – The Executive Director of Environment and Community Services' total remuneration across the SSA in 2023/24 was £211,535 and the employer's pension contributions were £40,403.

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

Note 7 – The Deputy Director of Environment and Community Services' total remuneration across the SSA in 2023/24 was £179,716 and the employer's pension contributions were £25,408.

Note 8 - The Assistant Chief Executive (Policy and Performance)'s total remuneration across the SSA in 2023/24 was £158,448 and the employer pension contributions were £30,264.

Note 9 – The Executive Director of Finance's total remuneration across the SSA in 2023/24 was £199,456 and the employer's pension contributions were £38,080.

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

Note 11 – The Assistant Director (Housing Management)'s total remuneration across the SSA in 2023/24 was £151,816 and the employer pension contributions were £28,997. The Assistant Director (Housing Management) is charged 100% to Wandsworth.

Note 12 - Assistant Director Education's total remuneration across the SSA in 2023/24 was £150,131 and the employer pension contributions were £28,675. The Assistant Director Education is charged 100% to Wandsworth

Note 13 - Assistant Director (Regeneration and Development)'s total remuneration across the SSA in 2023/24 was £158,448 and the employer pension contributions were £30,264. The Assistant Director (Regeneration and Development) is charged 100% to Wandsworth.

Note 14 – The Director of Public Health's total remuneration across the SSA in 2023/24 was £156,225 and the employer pension contributions were £29,865.

Note 15 – The Assistant Director Business and Resources' total remuneration across the SSA in 2023/24 was £152,573. The Assistant Director Business and Resources is charged 100% to Wandsworth.

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

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

Officers Remuneration Banding

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

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

2022-23 Number of Employees School Staff	2022-23 Other Staff	2022-23 Total		2023-24 Number of Employees School Staff	2023-24 Other Staff	2023-24 Total
119	159	**278**	£50,001 to £55,000	108	148	**256**
81	97	**178**	£55,001 to £60,000	98	118	**216**
27	39	**66**	£60,001 to £65,000	96	58	**154**
28	38	**66**	£65,001 to £70,000	43	41	**84**
11	17	**28**	£70,001 to £75,000	16	26	**42**
15	18	**33**	£75,001 to £80,000	28	14	**42**
10	10	**20**	£80,001 to £85,000	14	18	**32**
9	7	**16**	£85,001 to £90,000	11	8	**19**
7	15	**22**	£90,001 to £95,000	10	13	**23**
4	9	**13**	£95,001 to £100,000	7	6	**13**
6	2	**8**	£100,001 to £105,000	5	4	**9**
2	3	**5**	£105,001 to £110,000	5	0	**5**
0	2	**2**	£110,001 to £115,000	3	1	**4**
0	2	**2**	£115,001 to £120,000	5	2	**7**
2	1	**3**	£120,001 to £125,000	1	1	**2**
0	0	**0**	£125,001 to £130,000	2	1	**3**
0	0	**0**	£130,001 to £135,000	0	1	**1**
0	3	**3**	£140,001 to £145,000	1	0	**1**
0	1	**1**	£145,001 to £150,000	0	0	**0**
0	2	**2**	£150,001 to £155,000	0	4	**4**
0	0	**0**	£155,001 to £160,000	0	2	**2**
0	0	**0**	£175,001 to £180,000	0	1	**1**
0	1	**1**	£200,001 to £205,000	0	0	**0**
0	0	**0**	£210,001 to £215,000	0	1	**1**
321	**426**	**747**	**Total**	**453**	**468**	**921**

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

Exit package cost band (including special payments)	Number of compulsory redundancies 2022-23	Number of compulsory redundancies 2023-24	Number of other departures agreed 2022-23	Number of other departures agreed 2023-24	Total number of exit packages by cost band 2022-23	Total number of exit packages by cost band 2023-24	Total cost of exit packages in each band (£) 2022-23	Total cost of exit packages in each band (£) 2023-24
£0-£20,000	8	1	8	20	16	21	121,913	127,557
£20,001 - £40,000	0	0	1	11	1	11	38,149	285,656
£40,001 - £60,000	4	1	0	1	4	2	215,048	99,653
£60,001 - £80,000	4	0	1	1	5	1	358,896	60,292
£80,001 - £100,000	2	0	0	0	2	0	188,912	0
100,001 - £150,000	2	0	0	0	2	0	230,188	0
Total	**20**	**2**	**10**	**33**	**30**	**35**	**1,153,106**	**573,158**
Add: Amounts provided for in CIES not included in bandings							37,156	5,055
Total cost included in CIES							**1,190,262**	**578,213**

The Council terminated the contracts of a number of employees in 2023/24, incurring liabilities of £0.6m (£1.2m in 2022/23). The total cost of £0.6m for 2023/24 in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year.

Note 37 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors.

2022-23 £000		2023-24 £000
112	Fees payable to external auditors for the current year scale fee	326
0	Fees payable to external auditors for previous years additional fee	19
23	Fees payable in respect of other services provided by external auditors	26
135	**Total**	**371**

The Council's auditors Ernst & Young LLP have submitted requests to Public Sector Audit Appointments for authority to increase the additional fees charged for 2019/20 onwards. Only additional fees for 2019/20 have been agreed were paid in 2021/22. For 2023/24 the PSAA has agreed an increase to council's scale fees nationally, for recurring approved fee variations which are consolidated into new scale fees.

Note 38 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance and Early Years (England) Regulations 2022. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2023/24 are:

DSG Receivable for 2023-24	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies and high needs recoupment			(271,648)
Academy and high needs figure recouped for year			99,893
Total DSG after academy and high needs recoupment			**(171,755)**
Plus: Brought forward from previous year			0
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	**(58,600)**	**(113,154)**	**(171,755)**
In Year Adjustments	574	(205)	369
Final budget distribution for year	**(58,026)**	**(113,359)**	**(171,386)**
Less: Actual central expenditure	62,018		62,018
Less: Actual ISB deployed to schools		112,809	112,809
Carry forward to 2024-25	**3,992**	**(550)**	**3,441**
Plus: Carry forward to 2023-24 (pre-agreed)			0
Total DSG Carried Forward to 2024-25			**3,441**
Opening DSG Unusable Reserve Balance			10,423
Addition to DSG Unusable Reserve at the end of 2023-24			3,441
Net DSG Position (Deficit) at the end of 2023-24			**13,864**

DSG Receivable for 2022-23	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for year before Academies recoupment			(260,579)
Academy figure recouped for year			91,134
Total DSG after academy recoupment			**(169,445)**
Plus: Brought forward from previous year			0
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	**(55,477)**	**(113,968)**	**(169,445)**
In Year Adjustments	447	0	447
Final budget distribution for year	**(55,030)**	**(113,968)**	**(168,998)**
Less: Actual central expenditure	60,799		60,799
Less: Actual ISB deployed to schools		114,021	114,021
Carry forward to 2023-34	**5,769**	**53**	**5,822**
Plus: Carry forward to 2023-24 (pre-agreed)			0
Total DSG Carried Forward to 2023-24			**5,822**
Opening DSG Unusable Reserve Balance			4,601
Addition to DSG Unusable Reserve at the end of 2022-23			5,822
Net DSG Position (Deficit) at the end of 2022-23			**10,423**

Note 39 - Grant Income

Grants and contributions charged to Taxation and Non-Specific Grant income

31 March 2023		31 March 2024
£000		£000
(61,365)	Non-specific revenue grants*	(35,230)
(23,081)	Capital grants and contributions - General Fund	(28,173)
(35,665)	Capital grants and contributions - Housing Revenue Account	(19,447)
(120,111)	**Total**	**(82,850)**

*Social Care Grant is ringfenced in 2023/24 and is included in Net Cost of Services

31 March 2023 £000		31 March 2024 £000
(168,976)	Dedicated Schools Grant	(171,103)
(69,167)	Rent Allowance Subsidy	(68,220)
(84,782)	Section 106 Contributions	(62,477)
(45,725)	Rent Rebate Subsidy	(46,234)
(29,412)	Public Health Grant	(30,371)
0	Social Care Grant	(25,624)
(20,446)	Non-HRA Rent Rebate Subsidy	(20,851)
(16,985)	Improved Better Care	(16,985)
(4,286)	Leaseholder Reimbursements	(9,207)
(8,663)	Better Care Fund	(9,154)
(5,880)	Health Authority Contributions	(8,149)
(6,299)	Pupil Premium Grant	(6,325)
(5,191)	Homelessness Prevention Grant	(5,978)
(4,139)	Household Support Grant	(4,139)
0	Market Sustainability and Improvement Fund*	(3,038)
0	Mainstream Schools Additional Grant	(2,669)
(1,081)	Adult Social Care Discharge Fund	(2,381)
(2,494)	Asylum Seekers Grant	(2,263)
(1,991)	Adult Education Funding	(2,005)
0	Market Sustainability and Improvement Fund - Workforce Fund	(1,973)
(1,748)	Universal Infant Free School Meals Grant	(1,846)
(2,056)	Supporting Families Grant	(1,420)
0	Mayor of London's Free School Meals	(1,409)
(1,423)	Rough Sleeping Initiative	(1,383)
(2,572)	Sixth Form Funding	(1,284)
0	Early Years Supplementary Grant	(1,249)
(1,230)	Housing Benefit Admin Subsidy	(1,228)
0	Teachers Pay Additional Award	(1,205)
0	Recovery Premium*	(1,040)
0	School's NNDR	(1,026)
(1,837)	Covid-19 Test and Trace Contain Outbreak Management Fund	(608)
(1,829)	Disabled Facilities Grant	(1,466)
(2,446)	School Supplementary Grant	0
(1,205)	Council Tax Rebate (Discretionary)	0
(941)	Transport for London	0
(672)	Covid-19 Additional Funding	0
(16,449)	Other Government Grants and Contributions under £1m	(12,588)
(2,406)	Non-Government Grants & Contributions under £1m	(3,260)
(512,331)	**Total**	**(530,158)**

*Market Sustainability and Improvement Fund (previously Market Sustainability and Fair Cost of Care) and Recovery Premium were both included in Other Government Grants and Contributions under £1m in 2022/23.

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2023 £000		31 March 2024 £000
(905)	Section 106 Contributions	(1,117)
(865)	Family Safeguard	(702)
0	Early Years Supplementary Grant	(574)
(505)	Syrian Families Scheme	(480)
(924)	Covid-19 Test and Trace Contain Outbreak Management Fund	(316)
(1,249)	Energy Bills Support Scheme Alternative Funding	0
(591)	Homes for Ukraine Education Grant	0
(2,670)	Other Grants	(2,167)
(7,709)	**Total**	**(5,356)**

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

31 March 2023 £000		31 March 2024 £000
0	S278 Capital	(3,060)
(1,618)	Free Schools	(1,618)
(3,249)	Other Grants	(1,240)
(4,867)	**Total**	**(5,918)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2023 £000		31 March 2024 £000
(217)	Section 106 Contributions	(341)
(217)	**Total**	**(341)**

Note 40 - Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant part of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills and Housing Benefits). Grants receipts outstanding at 31 March 2024 are show in Note 39.

North East Surrey Crematorium Board (NESCB)

The Board currently is composed of 10 councillors and 2 substitute councillors from three London Borough councils: Merton, Sutton, and Wandsworth. Councillors A. Critchard, R. Birchall, S. Apps, T. Belton and A. Graham were appointed by the Council. Mr M. Davies (Financial Controller) is Treasurer to the Board. Mr P. Guilliotti (Assistant Director of Finance – Financial Services) is Auditor to the Board.

The Board had regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf. At 31st March 2024 the Council had a £0.7m 7-day notice loan outstanding from the Board.

Western Riverside Waste Authority (WRWA)

The Authority is composed of 8 members from 4 London Boroughs: Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors J. Gasser and L. Cooper were appointed by the Council. Ms K. Burston (Assistant Director of Finance (Financial Management)) was Deputy Treasurer to the Authority. Mr P. Guilliotti was Head of Audit to the Authority.

During the year there were refuse disposal charges of £12.9m and levy payments of £1.4m to WRWA.

Enable Leisure and Culture

Enable provide leisure services for the Council. Councillors G. Humphries and S. Apps are trustees. During the year, the Council received £2.8m for services from Enable. The Council paid £1.1m for services provided by Enable.

St George's University Hospital NHS Foundation Trust

St George's Hospital is located within the Borough, in Tooting. Councillors S. Worrall and J. Gasser are the Council representatives on the St George's NHS Trust board. £1.6m was paid to St George's for service provision and £3.2m of income was received in 2023/24.

Achieving for Children (AfC)

Achieving for Children delivers social care, education and health services to children and young people in RB Kingston, RB Windsor and Maidenhead and LB Richmond. Mr J. DeSouza (Executive Director of Adult Social Care and Public Health) is a Non-Executive Director on the AfC Board. The Council received £0.5m for service provision and grant recoupment. £0.3m was paid to AfC for special educational needs grants.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 34. During the year, works and services to the net value of £0.9m (£1m in 2022/23) were commissioned from companies, voluntary and similar organisations in which Members declared an interest. Contracts were entered in full compliance with the Council's standing orders. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the register of members interest which is open to public inspection at the town hall during office hours.

Note 41 - Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing

31 March 2023 £000		31 March 2024 £000
187,341	Opening Capital Financing Requirement	162,349
	Capital Investment:	
143,080	- Property Plant and Equipment	190,761
3	- Investment Property	9
0	- Intangible Assets	95
13,492	- Revenue expenditure funded from capital under statute	18,955
76	- Capital Loans and investments	21
156,651	**Total Capital Spending**	**209,841**
	Sources of Finance:	
(30,557)	- Capital receipts	(22,839)
(61,313)	- Government Grants and other contributions	(59,069)
(58,513)	- Major repairs reserve	(90,827)
	Sums set aside from revenue:	
(310)	- Direct revenue contributions	(22,491)
(30,509)	- Borrowing or liabilities met from the HRA	(33,661)
(441)	- Minimum revenue provision	(453)
(181,643)	**Total Sources of Finance**	**(229,340)**
162,349	**Closing Capital Financing Requirement**	**142,850**

Explanation of movements in year

31 March 2023 £000		31 March 2024 £000
(24,552)	Increase in underlying need to borrow	(19,044)
(441)	Other movements	(453)
(24,993)	**Increase/(decrease) in Capital Financing Requirement**	**(19,497)**

Note 42 - Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. The Council has no finance leases.

Authority as Lessee - Operating Leases

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

31 March 2023 £000		31 March 2024 £000
11,456	Not later than one year	10,607
594	Later than one year and not later than five years	629
610	Later than five years	651
12,660	**Total**	**11,887**

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

31 March 2023 £000		31 March 2024 £000
14,275	Minimum lease payments	13,726
14,275	**Total**	**13,726**

Authority as Lessor - Operating Leases

Assets valued at £69.4m (£70.1m in 2022/23) are held for use in operating leases, for which rent of £7.5m was received in 2023/24 (£8m in 2022/23). These assets are mostly investment properties which are not subject to depreciation.

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement and the Council contribute toward the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme has in excess of 10,000 participating employees and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, it is therefore accounted for on the same basis as a defined contribution scheme. In 2023/24 the Council paid £10.1m (£10.2m in 2022/23) to Teachers' Pensions in respect of teachers' retirement benefits.

Some statutorily transferred staff are members of the NHS Pension Scheme. The scheme is unfunded and is administered by NHS Pensions, part of the NHS Business Services Authority which is an arms length body of Department of Health and Social Care (DHSC). The pension cost charged to the Council is the contribution rate set by NHS Pensions on the basis of a notional fund and is therefore accounted for as a defined contribution scheme.

In 2023/24, the Council paid £0.1m (from £0.2m in 2022/23) to NHS Pensions in respect of members retirement benefits.

Note 44 - Defined Benefit Pension Scheme

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

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

The Council recognises a charge to Council Tax based on the cash payable in the year, and the real cost of post-employment/retirement benefits calculated under IAS 19 is reversed out of the General Fund via the MiRS. The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

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

In 2023/24 the Council adopted an asset ceiling in reporting its net liability as required by IAS 19 which only allows an asset to be recognised to the extent that the employer can gain economic benefits from the surplus. Economic benefit can be gained in two ways – either via a refund, or via a reduction in future contributions. The limit to the net asset is known as the asset ceiling. Under International Financial Reporting Issues Committee 14 (IFRIC 14), scheduled bodies such as councils cannot use the option of getting a refund due to participation in the LGPS and the fact that the refund must be unconditional. The asset ceiling adjustment is calculated by the Council’s actuary. The Council is therefore limited to the option of reduction in future contributions by paying primary contributions at a lower rate than the accounting service cost, which means staff are remunerated in form of a pension accrual while paying less than the value of that accrual.

The latest triennial valuation on 31 March 2022 covers the next three years and updated the 31 March 2019 valuation. The latest valuation set the Council’s contribution rate to 16% of pay, including community schools, from 1 April 2023 (previously 19.1% under the 2019 valuation).

2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000	General Fund Transactions	2023-24 Council £000	2023-24 LPFA £000	2023-24 Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
			Service cost comprising:			
54,791	290	55,081	Current service cost	26,204	129	26,333
465	118	583	Past service cost	756	251	1,007
(89)	0	(89)	(Gain) / loss from settlements and / or transfers	0	0	0
907	17	924	Administration expenses	1,069	16	1,085
(8,671)	45	(8,626)	Net interest expense / income	(20,250)	(457)	(20,707)
47,403	**470**	**47,873**	**Total charged to Surplus and Deficit on Provision of Services**	**7,779**	**(61)**	**7,718**

£000	£000	£000	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	£000	£000	£000
			Re-measurement of the net defined benefit liability comprising:			
129,442	703	130,145	Return on plan assets (excluding the amount included in the net interest expense)	(162,464)	(2,374)	(164,838)
154,960	4,422	159,382	Actuarial gains and losses - experience	4,196	133	4,329
0	0	0	Actuarial gains and losses arising on changes in demographic assumptions	(18,748)	(574)	(19,322)
(775,565)	(16,686)	(792,251)	Actuarial gains and losses arising on changes in financial assumptions	(25,335)	(18)	(25,353)
0	0	0	Other movements in the liability/(asset)	0	0	0
0	0	0	Change in effect of Asset Ceiling	577,471	12,651	590,122
(491,163)	**(11,561)**	**(502,724)**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**375,120**	**9,818**	**384,938**

(443,760)	**(11,091)**	**(454,851)**	**Total charged to the Comprehensive Income and Expenditure Statement**	**382,899**	**9,757**	**392,656**

2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000	Movement in Reserves Statement	2023-24 Council £000	2023-24 LPFA £000	2023-24 Total £000
(47,403)	(470)	(47,873)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(7,779)	61	(7,718)
			Actual amount charged against the general fund balance for pensions in the year:			
26,410	229	26,639	Employers' contributions payable to scheme	28,932	280	29,212

2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2023-24 Council £000	2023-24 LPFA £000	2023-24 Total £000
(1,339,807)	(44,146)	(1,383,953)	Present value of the defined obligation	(1,338,847)	(42,779)	(1,381,626)
1,686,380	53,792	1,740,172	Fair value of plan assets	1,908,924	55,599	1,964,523
0	0	0	Impact of Asset Ceiling	(577,471)	(12,651)	(590,122)
346,573	**9,646**	**356,219**	**Net (liability) / asset arising from the defined benefit obligation**	**(7,394)**	**169**	**(7,225)**

2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000	Movement in the Value of Scheme Assets	2023-24 Council £000	2023-24 LPFA £000	2023-24 Total £000
1,774,193	55,658	1,829,851	Opening Balance	1,686,380	53,792	1,740,172
60,937	1,414	62,351	Interest income	84,144	2,509	86,653
			Re-measurement gain / (loss):			
(129,442)	(703)	(130,145)	The return on plan assets, excluding the amount included in the net interest expense	162,464	2,374	164,838
26,410	229	26,639	Contributions from employer	28,932	280	29,212
10,824	55	10,879	Contributions from employees into the scheme	11,379	40	11,419
(54,636)	(2,844)	(57,480)	Benefits / transfers paid	(63,306)	(3,380)	(66,686)
(907)	(17)	(924)	Administration expenses	(1,069)	(16)	(1,085)
(999)	0	(999)	Assets Extinguished on Settlement	0	0	0
1,686,380	**53,792**	**1,740,172**	**Closing value of scheme assets**	**1,908,924**	**55,599**	**1,964,523**

2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000	Movements in the Fair Value of Scheme Liabilities	2023-24 Council £000	2023-24 LPFA £000	2023-24 Total £000
(1,897,790)	(57,332)	(1,955,122)	Opening Balance	(1,339,807)	(44,146)	(1,383,953)
(54,791)	(290)	(55,081)	Current service cost	(26,204)	(129)	(26,333)
(52,266)	(1,459)	(53,725)	Interest cost	(63,894)	(2,052)	(65,946)
(10,824)	(55)	(10,879)	Contributions from scheme participants	(11,379)	(40)	(11,419)
			Re-measurement gains and losses:			
(154,960)	(4,422)	(159,382)	- Actuarial gains / (losses) - experience	(4,196)	(133)	(4,329)
0	0	0	- Actuarial gains / (losses) from changes in demographic assumptions	18,748	574	19,322
775,565	16,686	792,251	- Actuarial gains / (losses) from changes in financial assumptions	25,335	18	25,353
(465)	(118)	(583)	Past service cost	(756)	(251)	(1,007)
54,636	2,844	57,480	Benefits / transfers paid	63,306	3,380	66,686
1,088	0	1,088	Liabilities extinguished on settlements	0	0	0
(1,339,807)	**(44,146)**	**(1,383,953)**	**Balance as at 31 March**	**(1,338,847)**	**(42,779)**	**(1,381,626)**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charges made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the MiRS. The transactions in the preceding table have been made in the CIES and the General Fund Balance via the MiRS during the year. The table above shows the amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans.

2022-23 Council £000	2022-23 Council %	Asset Allocation	2023-24 Council £000	2023-24 Council %
42,311	2.51%	Cash and cash equivalents	67,134	3.52%
961,475	57.00%	Equities	1,113,247	58.32%
272,074	16.13%	Corporate Bonds	284,909	14.93%
223,754	13.26%	Property	249,858	13.09%
187,296	11.10%	Multi-Asset Funds	193,776	10.15%
1,686,910	**100.00%**	**Scheme assets**	**1,908,924**	**100.00%**

2022-23 LPFA £000	2022-23 LPFA %	Asset Allocation	2023-24 LPFA £000	2023-24 LPFA %
69	0.13%	Cash and cash equivalents	871	1.57%
31,633	58.81%	Equities	33,664	60.55%
5,282	9.82%	Property	5,086	9.15%
6,806	12.65%	Infrastructure	6,387	11.49%
10,002	18.59%	Target Return Portfolio	9,591	17.25%
53,792	**100.00%**	**Scheme assets**	**55,599**	**100.00%**

Basis of Estimating Assets and Liabilities

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

The Council scheme and the LPFA scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, based upon the latest triennial valuation, as at 31 March 2022.

Data reports received from the actuary for 2023/24 are based on actuals to the end of February 2024, with an estimate factored in for March 2024.

Expected Return on Assets

For accounting periods from 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

	Council		**SSA**		**LPFA**	
	2022-23	**2023-24**	**2022-23**	**2023-24**	**2022-23**	**2023-24**
Longevity at 65 for current pensioners						
- Men	21.1	20.8	21.1	20.8	20.6	20.3
- Women	23.5	23.3	23.5	23.3	23.9	23.4
Longevity at 65 for future pensioners						
- Men	22.3	22.0	22.3	22.0	22.6	22.3
- Women	25.0	24.7	25.0	24.7	25.4	25.2
Rate of inflation (RPI)	3.30%	3.25%	3.20%	3.15%	3.40%	3.40%
Rate of inflation (CPI)	2.90%	2.90%	2.90%	2.90%	2.90%	2.95%
Rate of increase in salaries	3.90%	3.90%	3.90%	3.90%	3.90%	3.95%
Rate of increase in pensions	2.90%	2.90%	2.90%	2.90%	2.90%	2.95%
Rate for discounting scheme liabilities	4.80%	4.90%	4.80%	4.95%	4.80%	4.85%
Take up of converting annual pension to lump sum	50%	50%	50%	50%	50%	50%

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

	Council			LPFA		
	£000	£000	£000	£000	£000	£000
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,319,043	1,338,847	1,359,150	42,348	42,779	43,217
Projected Service Cost	24,509	25,394	26,308	125	128	131
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,340,037	1,338,847	1,337,663	42,796	42,779	42,761
Projected Service Cost	25,411	25,394	25,376	128	128	128
Adjustment to pension increases & deferred revaluation	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,358,343	1,338,847	1,319,822	43,207	42,779	42,357
Projected Service Cost	26,321	25,394	24,498	131	128	125
Adjustment to mortality age rating assumption	**+ 1 Year**	**None**	**-1 Year**	**+ 1 Year**	**None**	**-1 Year**
Present Value of Total Obligation	1,396,077	1,338,847	1,284,299	45,286	42,779	40,425
Projected Service Cost	26,395	25,394	24,419	133	128	123

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

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

The liabilities above show the underlying commitment that the Council has as an employer to pay retirement benefits as they fall due valued on an IAS 19 basis. The total liability of £7.2m has a substantial impact on the net worth of the Council as recorded on the Balance Sheet. An IAS 19 valuation uses more prudent assumptions than those used in the triennial valuation which sets the cash contributions required over the subsequent 3 years. These statutory funding and valuation arrangements mean that the Council’s position as an employer in the Fund remains healthy.

The objectives of the Wandsworth Pension Fund are to keep employer's contributions at as constant a rate as possible while prudently managing any surplus or deficit.

The Council is the Administering Authority for the Wandsworth Fund and so would become liable to fund any shortfall in pension benefits should the situation arise. The whole Fund’s position, on both an IAS 19 (PF Note 28) and Triennial valuation basis (PF Note 27), is reported in the Pension Fund Accounts.

Note 45 - Contingent Liabilities

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

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

Note 46 - Contingent Assets

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

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

Note 47 - Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meets its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, fair value, and stock market movements.

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

Credit Risk

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

<u>Fixed Term Deposits</u>

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

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

b) Up to £100m with other UK local authorities or precepting authorities;

c) Up to £20m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, AA- long-Tterm, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);

d) to £20m with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's);

e) up to £10m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);

f) up to £10m with UK or non-UK institutions with a Fitch credit rating of at least F1 short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's);

g) up to £5m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);

h) up to £10m with UK or non-UK institutions for a maximum of 3 months where 2 out of 3 credit rating agencies have a Fitch credit rating of at least F1 short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's); and,

i) up to £50m with banks owned 20% or more by the UK Government (e.g. NatWest Group). Included in this limit is any balance held in notice funds held with these institutions.

In addition to the above criteria, investments with banks shall not exceed the following percentage parameters:

a) No more than 40% of total investments shall be held in banks as fixed term deposits (this excludes those banks owned 20% or more by the UK Government (e.g. NatWest Group).

b) No more than 30% of total investments shall be held in overseas banks as fixed term deposits.

c) No more than 10% of total investments shall be held in one overseas sovereign country in relation to fixed term deposits

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

Money Market Funds and Short Dated Income Funds

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

a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Treasury Management meetings within the Resources Directorate. Daily operation of the funds is managed by the Accoountancy Team.

b) The maximum overall limit for the use of MMFs and short dated funds shall be 50% of total investments.

c) The maximum limit for each counterparty with AAA rating shall be £50m.

d) The Federated +1 day MMF may exceed £50m to allow for capital appreciation which may take an initial investment over that value. This capital value will be formally reviewed at the monthly Treasury Management Meeting with the Director of Resources at each £100,000 additional excess achieved.

e) Each MMF shall have a minimum AAA credit rating from one of the 3 main credit rating agencies and, if the fund has more than 1 rating, each rating shall be AAA.

f) Each short dated income fund shall have as a minimum AA credit rating from one of the three main credit rating agencies.

g) The maximum investment placed in any fund shall not exceed 12.5% of the total assets under management in the fund.

h) For an AA rated short dated income fund, the maximum investment in any fund shall not exceed £5m, or 7.5% of assets under management whichever is the lower.

i) Short dated income funds held at a bank which is 20% or more owned by the UK Government (e.g. NatWest Group) are exempt from the MMF criteria a) to h) but are subject to the restrictions detailed in banks criteria i).

Property Funds

Up to £50m may be placed in a Property Fund that is set up under a scheme approved by HM Treasury so that it does not count as capital expenditure. Total investments in a property fund should not be greater than 5% of total investments, or greater than 10% of the lowest cash flow projection over 3 years (inclusive of the year of investment), when placed.

Covered Bonds

Up to £50m may be placed in a covered bond with a maturity period of no longer than 3 years and a credit rating of AAA from at least one of the three credit rating agencies. If the bond issuer is one of the institutions on the Council's investment list this investment will not count against the limit for that counterparty.

Joint Venture Loans

Loans may be made through bond instruments issued by any Joint Venture arrangement, development partner or vehicle set up for the purpose of regenerating the Council's housing estates. This may be in either cash or backed by property assets. Any such investment shall not exceed £50m per investment/ loan type and £125m in total.

Loans to Staff Mutuals, other service providers and Voluntary organisations

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

Longer Term Investments

Investments up to an aggregate limit of £135m for around 5 years, subject to meeting the criteria that investments do not count as capital expenditure. Investments could include individual corporate bonds (grade BBB and above), fixed income funds, equity funds; and multi asset funds. In addition, investments may be made in products akin to those currently used by the Pension Fund. Where practicable, suitable hedging arrangements will be made on all such investments; however, it is recognised that hedging (outside a fund) against downside risk will often be cost prohibitive therefore risk management will focus on diversification. The total amount invested with any one manager shall not exceed £35m unless capital appreciation takes an initial investment over that value. Any new investment should not make the cumulative investments higher than 20% of total investments or 25% of the lowest cash flow projection over 3 years (inclusive of the year of investment) when placed.

Business Improvement Districts (BIDS)

Loans may be made to Wandsworth based BIDS for start-up loans at up to market rates of interest to an overall maximum limit of £1m.

Other counterparty debtors

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

Liquidity Risk

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

Liquidity Risk	**31 March 2023 £000**	**31 March 2024 £000**
Less than one year	17,808	17,202
Between one and two years	17,202	0
Total	**35,010**	**17,202**

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

Interest Rate Risk

The Council borrowed £223.6m at a fixed rate of 1.69% from PWLB on 28 March 2012 towards the cost of the HRA subsidy system buy out. This loan is repaid in full in March 2025. In 2023/24 the Council has taken no new external borrowing for the General Fund or HRA therefore there has been no affect from high interest rates.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments especially on Multi Asset and Property Funds which can become volatile in a high interest rate environment. The Accountancy team has an active strategy for assessing interest rate exposure that is used to update budget monitoring during the year and take into account any adverse changes.

Note 48 – Group Relationships

Shared Services

The SSA with LB Richmond

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

South London Legal Partnership (SLLP)

First formed in 2011, the South London Legal Partnership is now London's first five-borough shared legal service. Working on behalf of the London Boroughs of Merton, Richmond, Kingston, Sutton and Wandsworth, the service is hosted by LB Merton but governed by a joint board which oversees the delivery of services. Wandsworth is directly charged via an hourly rate for the service.

The aim of the service is to provide more resilient and higher quality legal services than that provided by each authority individually, assuming that future savings will need to be made to the budgets of all local authorities. The service is ISO 9001:2015 accredited and provides the full remit of local authority legal services to the Directorates of all councils as well as advice to councillors, the committees of the councils and to schools. The Council paid £3.5m in 2023/24 (£2.6m in 2022/23) to LB Merton for this service.

Internal Audit and Investigations Service

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

Fraud work is undertaken by the South West London Fraud Partnership (SWLFP) which is a shared service covering the same five boroughs and again led by the SSA. Both the shared audit and fraud services are overseen by the Shared Service Board which includes the Section 151 officers from each of the constituent Councils or their delegated representatives. The partnering boroughs are charged based on time spent and an agreed audit day rate. The Council's net spend was £0.4m on the Internal Audit and Investigations in 2023/24 (£0.6m in 2022/23).

Pension Administration Services

The Pension Shared Service is a five-borough service that administers the LGPS for the London Boroughs of Camden, Merton, Richmond, Waltham Forest and Wandsworth, with Wandsworth Council as the host. The Council incurred expenditure of £2.7m and recovered £1.5m from other local authorities in 2023/24 in relation to this service (£2.2m expenditure and £1.1m recovered in 2022/23).

Other

The Council has a wholly owned Local Authority Trading Company (Wandsworth BC Trading Limited) with the Council as the sole shareholder. The Council's view is this does not form part of Group Accounts for the year 2023/24.

The Council is part of a joint venture partnership with Taylor Wimpey PLC to develop the York Road and Winstanley Estates. Both partners own 50% of the partnership. The joint venture's draft accounts have not been consolidated as part of the Council's draft Group Accounts at this stage due to a timing difference.

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

Collection Fund

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

31 March 2023					31 March 2024			
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
				INCOME:				
		(125,331)	(125,331)	Council Tax Receivable			(133,918)	(133,918)
(105,281)			(105,281)	Business Rates Receivable	(109,947)			(109,947)
383			383	Transitional Protection Payments Receivable	(7,507)			(7,507)
	(2,697)		(2,697)	Business Rates Supplements receivable		(2,938)		(2,938)
		(2)	(2)	Transfer from General Fund re Covid Hardship			(761)	(761)
(104,898)	**(2,697)**	**(125,333)**	**(232,928)**	**Total amounts to be credited**	**(117,454)**	**(2,938)**	**(134,679)**	**(255,071)**
				EXPENDITURE:				
				Apportionment of Previous Year Surplus/Deficit:				
(14,132)			(14,132)	Central Government	647			647
(12,847)		1,381	(11,466)	Wandsworth Borough Council	588		2,082	2,670
(15,844)		1,057	(14,787)	Greater London Authority	726		1,751	2,477
				Precepts, demands and shares:				
32,069			32,069	Central Government	35,342			35,342
29,153		65,834	94,987	Wandsworth Borough Council	32,129		68,698	100,827
35,956		54,602	90,558	Greater London Authority	39,626		61,220	100,846
				Business Rate Supplement:				
	2,865		2,865	Payment to levying authority's Business Rate Supplement Revenue Account		2,861		2,861

	7		7	Administrative Costs		7		7
				Charges to Collection Fund:				
424		961	1,385	Write-offs of uncollectable amounts	(107)		1,332	1,225
(920)	(175)	243	(852)	Increase/(decrease) in allowance for impairment	1,499	70	649	2,218
3,793			3,793	Increase/(decrease) in allowance for appeals	3,794			3,794
440			440	Charge to General Fund for allowable collection costs for non-domestic rates	436			436
				Transfers to General Fund:				
8,534			8,534	Designated Area Payments	12,723			12,723
66,626	**2,697**	**124,078**	**193,401**	**Total amounts to be debited**	**127,403**	**2,938**	**135,732**	**266,073**
(38,272)	**0**	**(1,255)**	**(39,527)**	**(Surplus)/Deficit arising during the year**	**9,949**	**0**	**1,053**	**11,002**
43,451	**0**	**(3,008)**	**80,596**	**(Surplus)/Deficit b/f at 1 April**	**5,179**	**0**	**(4,263)**	**916**
5,179	**0**	**(4,263)**	**916**	**(Surplus)/Deficit c/f at 31 March**	**15,128**	**0**	**(3,210)**	**11,918**

Notes to the Collection Fund

The following table shows the calculation of the Council Tax Base

2023-24

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	4,037	6/9	2,691
B	40,001 - 52,000	8,774	7/9	6,824
C	52,001 - 68,000	29,665	8/9	26,368
D	68,001 - 88,000	29,651	9/9	29,651
E	88,001 - 120,000	22,338	11/9	27,302
F	120,001 - 160,000	16,766	13/9	24,217
G	160,001 - 320,000	13,543	15/9	22,572
H	More than - 320,001	2,797	18/9	5,594
			Adjustment	(4,357)
			Plus Ministry of Defence Properties	144
			Council tax base	**141,006**

2022-23

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	3,993	6/9	2,662
B	40,001 - 52,000	8,326	7/9	6,476
C	52,001 - 68,000	29,324	8/9	26,066
D	68,001 - 88,000	29,305	9/9	29,305
E	88,001 - 120,000	21,935	11/9	26,810
F	120,001 - 160,000	16,180	13/9	23,371
G	160,001 - 320,000	13,211	15/9	22,019
H	More than - 320,001	2,719	18/9	5,438
			Adjustment	(4,264)
			Plus Ministry of Defence Properties	145
			Council tax base	**138,028**

The rateable value of non-domestic properties at 31 March 2024 was £364,520,398 based on the 2023 list (£310,258.373 for 31 March 2023 based on the 2017 list)

The Business Rates multiplier for 2023/24 was 51.2p and the small business multiplier for 2023/24 was 49.9p (no change for both since 2020/21).

Housing Revenue Account

Housing Revenue Account Income and Expenditure Statement

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

2022-23 £000		2023-24 £000
	Expenditure	
38,355	Repairs & Maintenance	44,082
67,580	Supervision & Management	75,480
900	Rents, Rates, Taxes and other charges	322
43,775	Depreciation, impairments and revaluation losses of non-current assets	82,512
1,925	Movement in the allowance for bad debts	2,861
152,535	**Total Expenditure**	**205,257**
	Income	
(113,297)	Dwelling rents	(122,017)
(3,740)	Non-dwelling rents	(3,806)
(33,937)	Charges for services and facilities	(35,920)
(4,751)	Other	(9,244)
(155,725)	**Total Income**	**(170,987)**
(3,190)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**34,270**
1,366	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	1,409
(1,824)	**Net Expenditure of HRA Services**	**35,679**
(10,122)	(Gains)/loss on sale of HRA Fixed Assets	(10,430)
2,840	Interest Payable and Similar Charges	2,956
(12,344)	HRA Interest and Investment Income	(14,783)
(947)	Net interest on the defined benefit liability/asset	(2,830)
(35,665)	Capital Grants and Contributions	(19,447)

(58,062)	**(Surplus) or Deficit for Year on HRA Services**	**(8,855)**

The statement incorporates £11.1m (£7.6m in 2022/23) of expenditure classified as Revenue funded by Capital under Statute relating to capital expenditure on housing estates attributable to leasehold properties, fully funded by leaseholder contributions or government grant, and also grants made to existing Council tenants to assist them in purchasing properties in the private sector freeing the vacated property for other prospective Council tenants. Overall rent arrears in relation to existing and former tenants of Council dwellings (and including other accounts linked to HRA properties) are incorporated into the consolidated figures for the Council, and stood at £15m as at 31 March 2024 (£11.3m as at 31 March 2023), against which a cumulative provision for bad debts of £10.7m (£7.9m as at 31 March 2023) has been established.

Movement on the HRA Statement

2022-23 £000	Movement on the HRA Statement	2023-24 £000
(147,799)	**Balance on the HRA at the end of the previous year**	**(153,456)**
(58,062)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(8,855)
52,878	Adjustments between accounting basis and funding basis under statute	9,061
(5,184)	**Net (increase) or decrease on the HRA**	**206**
(473)	Transfers to / (from) Reserves	(973)
(5,184)	(Increase) / decrease on the HRA for the year	206
(153,456)	**Balance on the HRA at the end of the current year**	**(154,223)**

2022-23 £000	Adjustment between accounting basis	2023-24 £000
(19,551)	Transfers to/(from) the Capital Adjustment Account	(59,427)
10,313	Gain or (loss) on sale of non-current assets	10,504
(3,097)	Contributions to or (from) the Pension Reserve	2,602
(191)	Transfers to/(from) the Capital Receipts Reserve	(74)
(381)	Transfers to/(from) the Accumulated Absences Account	396
25,834	Transfers to/(from) Major Repairs Reserve	26,406
39,951	Transfers to/(from) Capital Grants Unapplied	28,654
52,878	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**9,061**

Notes to the HRA Accounts

Note 1 - Analysis of Council Housing Stock

31 March 2023				31 March 2024		
Flats	**Houses**	**Total**	**Property / Tenancy**	**Flats**	**Houses**	**Total**
13,980	2,470	16,450	Social Rent	14,026	2,472	16,498
468	137	605	Affordable Rent	468	137	605
215	0	215	Shared Dwellings / Multi Occupied Rent	208	0	208
42	48	90	Equity Share	42	47	89
15,661	46	15,707	Long Lease Sold	15,607	45	15,652
30,366	**2,701**	**33,067**	**Total**	**30,351**	**2,701**	**33,052**

Note 2 – Housing Revenue Account Capital Funding

2022-23 £000		2023-24 £000
(5,957)	Borrowing	(14,358)
0	Direct Revenue Financing	0
(15,170)	Capital Receipts	(13,010)
(58,514)	Major Repairs Reserve	(90,827)
(39,951)	Government grants and other contributions	(28,654)
(119,592)	**Total funding**	**(146,849)**

Note 3 - Balance Sheet Value of HRA Assets

31 March 2023 £000		31 March 2024 £000
	Operational Assets	
1,668,500	Dwellings	1,693,343
111,740	Other Land and Buildings	107,051
	Non-Operational Assets	
17,606	Assets under Construction	17,606
	Investment Assets	
16,028	Investment Property	15,969
1,813,874	**Total**	**1,833,969**

The vacant possession value of dwellings within the HRA at 31 March 2024 was £6.8bn (£6.7bn at 31 March 2023). The Balance Sheet value is lower because nearly all the dwellings are occupied and because the rents for secure tenancies are below market value.

Revaluation

HRA operational assets were valued by the Council's valuer as at 31 March 2024. This annual valuation gave an overall un-realised decrease in value of £81.3m. This included £24.3m revaluation gain increasing the Revaluation Reserve and £57m loss shown as a cost in the Income and Expenditure statement.

Note 4 – Depreciation of Non-Current Assets

2022-23 £000		**2023-24 £000**
(24,511)	Council Dwellings	(25,211)
(1,323)	Other Land & Buildings	(1,195)
(25,834)	**Total**	**(26,406)**

Note 5 – Transactions relating to retirement benefits

2022-23 £000		**2023-24 £000**
3,883	Current Service Cost	(58)
161	Past Service Costs	286
(947)	Net interest expense / income	(2,830)
3,097	**Total charged to Comprehensive Income and Expenditure Statement**	**(2,602)**

Note 6 – Total Capital Receipts generated during the year

2022-23 £000		**2023-24 £000**
0	Land	0
(16,886)	Council Houses	(12,279)
(1,682)	Other Property	(783)
(18,568)	**Total**	**(13,062)**

Consolidated Group Accounts

Introduction

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

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

Winstanley and York Road Regeneration LLP

The Winstanley and York Road Regeneration LLP was operational from 22 June 2017. The principal activity of the partnership is that of property development. It is an equal partnership between Taylor Wimpey UK Limited and the Council with both members being equally represented on the Board with equal voting rights over operational management.

As at 31 March 2023, in accordance with the legal agreements governing this development, the Council is putting approximately £38m of properties and land into the Joint Venture. The Joint Venture has issued loan notes to the Council to cover the value of the land and properties. Until such time as the money is repaid, the Council will earn interest at 6% per annum.

Until the development phase reaches specific milestones the Council properties remain legally owned by the Council. The properties are currently being accounted for within the Housing Revenue Account as they are being used to provide short term temporary accommodation. The Council has continued to recognise these properties within its assets as at 31 March 2024. The properties form part of the Council Dwellings balance and have been valued accordingly. The Council has also recognised the Loan Notes in the long-term debtors as at 31 March 2024.

The financial year end of the joint venture was 31 December with 2022 Accounts due to be filed with Companies House by 30 December 2023. As the audit of these Accounts had not been completed by that date the joint venture filed for a change (by one day) to the accounting reference date to allow a three-month extension. The revised date was then 30 December with a revised submission deadline for the 2022 audited Accounts of 29 March 2024. The audit of 2022 is now complete, and the audit opinion not modified. However, auditors of Winstanley and York Road, in forming their opinion, noted material uncertainty as to whether the joint venture was a going concern and is dependent on funding being received from both sides of the joint venture until the completion and sale of future units. At this time discussions around future funding remain ongoing, therefore if the joint venture's going concern status changed, the impact on the Council's Accounts is not deemed material and the Council would continue itself as a Going Concern. This is supported by the information above and as such would not affect the Council's ability to continue as a Going Concern.

This joint venture’s draft accounts have not been consolidated as part of the Council’s draft Group Accounts at this stage due to a timing difference. The joint venture’s final accounts are due 9 months from their year-end date and the joint venture’s board has agreed with their auditors that for 2023/24 they will work towards producing draft accounts for July 2024 whilst they finalise funding in the interim. The group accounts will therefore be consolidated during the Council’s audit of 2023/24 and included in the audited accounts.

The Accounting Policies of Winstanley and York Road Regeneration LLP are the same as the Council’s and as the notes to the Group Accounts when published are not materially different from those of the Council, no additional notes will be disclosed.

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

To Follow

Pension Fund Accounts

Wandsworth Fund Account

2022/23 £000		Note	2023/24 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(73,692)	Contributions receivable	*Note 8*	(78,447)
(12,867)	Transfers In from Other Pension Funds	*Note 9*	(6,038)
(86,559)			(84,485)
84,641	Benefits payable	*Note 10*	94,013
14,150	Payments to and on account of Leavers	*Note 11*	59,667
98,791			153,680
12,232	**Net (Additions)/Withdrawals from Dealings with Members**		**69,195**
12,773	Management Expenses	*Note 12*	13,864
25,005	**Net (Additions)/Withdrawals including Fund Management Expenses**		**83,059**
	Returns on Investments		
(50,651)	Investment income	*Note 13*	(67,428)
497	Taxes on income	*Note 13*	279
140,111	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	*Note 16*	(336,732)
89,957	**Net Returns on Investments**		**(403,881)**
114,962	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(320,822)**
(2,875,607)	Opening Net Assets of the Fund		(2,760,645)
(2,760,645)	**Closing Net Assets of the Fund**		**(3,081,467)**

Net Assets Statement

31 March 2023 £000		Note	31 March 2024 £000
	Investment Assets		
2,674,052	- Investment Assets		2,994,376
92,497	- Cash Deposits with FM		102,951
(10,368)	Investment Liabilities		(19,453)
2,756,181	**Total Net Investments**	*Note 15*	**3,077,875**
	Long term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
2,739	- Long Term Debtor	*Note 29*	2,870
2,759,220	**Total Long Term Assets**		**3,081,045**
	Current Assets		
1,666	- Cash Deposits with Bank (incl. Cash in Transit)	*Note 30**Error! Reference source not found.***	1,260
2,414	- Current Assets (excl. bank)	*Note 30*	1,815
4,080			**3,075**
(2,655)	**Current Liabilities**	*Note 30*	(2,653)
(2,655)			**(2,653)**
2,760,645	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**3,081,467**

Note: The Fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 28.

Notes to the Wandsworth Pension Fund Accounts

Note 1 Description of the Fund

The Wandsworth Pension Fund (the Fund) is part of the LGPS and is administered by Wandsworth Council.

a) General
The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Wandsworth Council to provide pensions and other benefits for pensionable employees of Wandsworth Council, Richmond Council, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Joint Pensions Committee, which is a committee of Wandsworth Council, and includes representatives from both Wandsworth and Richmond Councils since these councils' funds were merged by Statutory Instrument 2016/124 (https://www.legislation.gov.uk/uksi/2016/1241/made).

b) Membership
Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Wandsworth Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, where the employer has been designated by a scheduled body as being eligible for membership.

Membership details are set out below:

31 March 2023		31 March 2024
73	**Number of Employers with Active Members**	**71**
	Number of Employees in the Fund	
8,010	Councils (LBRuT & WBC)	8,114
3,128	Other Employers	3,164
11,138	**Total**	**11,278**
	Number of Pensioners (including dependants)	
10,062	Councils (LBRuT & WBC)	10,258
1,285	Other Employers	1,146
11,347	**Total**	**11,404**
	Number of Deferred Pensioners	
16,238	Councils (LBRuT & WBC)	16,333
4,021	Other Employers	3,796
20,259	**Total**	**20,129**
42,744	**Total Number of Members in the Fund**	**42,811**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which completed early in 2023 with the new contribution rates applied from 1st April 2023. The employer primary contribution rates set at that valuation range from 16% to 30% of pensionable pay with an overall Fund primary rate of 20%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website www.lgpsmember.org.

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its financial position at 31 March 2024. The Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis (see Note 3)

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. This disclosure is made in Note 36.

The Accounts report on the Net Assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the Notes to the Accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 28 .

Note 3 Going Concern

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events. All LGPS funds are required to have a Triennial Valuation, where the actuary estimates the net present value of likely future pension payments (taking into account likely pay growth, inflation and longevity) and compares this to the net present value of assets (taking into account growth in market value, reinvestment of returns and so on). This gives a net funding position which is used to decide what contributions are needed for the next 3 years to move towards an acceptable position over up to 20 years.

The Fund's 2022 valuation gave a 116% funding level after allowing for a 10% volatility reserve (approx. £0.3bn). This position is an improvement on the 105% funding at the 31st March 2019 valuation, after allowing for the volatility reserve. The volatility reserve gives the Fund added resilience to any market volatility reducing the risk to its long term financial position. The funding level being over 100% provides a buffer for adverse differences between experience over the next 3 years and assumptions made for the valuation. The key assumptions in the valuation are a discount rate of 4.4% and long term average CPI inflation of 2.9%.

The investment return required in the valuation of 4.4% (4.5% for 2019) is a long-term assumption taking into account market volatility and compares favourably with the actual return of 5.16% over the 3 years to March 2024. The annual return to 31st March 2024 reported to June Committee was +14.7% (the Fund's benchmark was +15.1%), and total assets valued at £3.1bn.

In the short term, the Fund is dependent on cash flows to make pension payments required by LGPS regulations.

The Fund recognises it is cash flow negative in dealings with members and therefore has existing plans in place to cover this cash deficit from investment returns and potentially liquidation of assets if needed in later years. The going concern assumption therefore also considers the medium term position of the Fund. The Fund sets a 3 year cash flow budget every March which shows estimated income and outgoings and returns on investments which can be used to maintain liquidity or for reinvestment as needed. The Fund held £104.3m in cash at 31 March 2024 (see Note 26) and currently has a 65% target asset allocation to liquid assets (equity 55% and bonds 10% with actual value of £2.1bn at 31 March 2024 per Note 15) which could be liquidated quickly if needed. This demonstrates the Fund's short and medium term going concern status.

Richmond and Wandsworth councils represented 73% of regular employer contributions to the Fund during 2023/24, and as administering authority, Wandsworth is the funder of last resort. The Fund therefore received the majority of its income from public bodies backed by the government, as well as having recourse to one of these bodies for short term lending if needed, giving a high level of certainty over cashflows. The Fund has the power to borrow to fund benefit payments or for investment when repayment can be made within 90 days under Statutory Instrument 2016/946.

Note 4 Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 31) to purchase scheme benefits are accounted for on a cash receipts basis and are included in Transfers In (Note 9).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are recognised on this date where estimation is possible. Where no date is set, or accurate estimation is not possible, transfers are recognised on a cash basis.

c) Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset. The Fund does not currently own any directly held shares.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due. The Fund does not currently own any directly held property.

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing that payment has been approved.

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

f) Management expenses
The Fund discloses its pension fund management expenses (which includes fees charged by the LCIV) in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	The overall costs of the pensions administration team (including staffing, accommodation, management and other overheads) are analysed and the proportion of these costs relating to administering the Fund are charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown in Note 12 and grossed up to increase the quarterly income to be gross of fees. Fees charged by external investment managers and the custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has paid performance related fees to Oakhill (MAC) and JP Morgan (Infrastructure). Where an investment manager's fee note has not been received by the year-end date, an

	estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

Net Assets Statement

g) Financial assets
LCIV Long Term Capital represents regulatory capital of the LCIV, the investment is not repayable on demand. This is not an investment; this is a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements. Fair value at 31 March 2024 is cost as the shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV. This value includes both Wandsworth and Richmond shares due to the Funds having merged in 2016. Investments accessed via the LCIV are reported as such in the relevant asset class.

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2024, this value has been amended for calls and distributions since the reporting period and change in the exchange rate as the best estimate of fair value at 31 March 2024, in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 16 . Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the Fund Account. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties
Properties are valued as at the year-end date by independent external valuers on a fair value basis, see Note 19 for more details. The Fund only holds property investments via pooled vehicles.

i) Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.
Some pooled vehicles have internal currency hedging and, in these cases, the overall value shown for the investment will reflect the impact of the hedging; otherwise the value of open currency hedges will be shown separately to any related investments.

j) Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities, including currency exposure. The Fund does not hold derivatives for speculative purposes. The Fund does not use hedge accounting, showing derivative values and movements separate from the assets whose risks they are offsetting.

k) Long Term Debtors
Where the Fund makes a tax payment on behalf of a pensioner (under 2016 or other regulations) this payment is carried as a long term debtor. The debt is recovered by reducing their benefit payments by an actuarially assessed amount and written down to the Fund Account over the relevant duration (see Note 29).

l) Cash and cash equivalents
Cash comprises cash in hand, cash in transit, demand deposits and money market funds, including amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash equivalents are pooled funds similar to liquidity money market funds. The Fund has not held any cash equivalents during this or the prior year.

m) Loans and receivables
Financial assets classed as amortised cost are carried in the Net Asset Statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

n) Financial liabilities
A financial liability is recognised in the Net Assets Statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis.

o) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of 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 28).

p) Additional voluntary contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 31.

q) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event has taken place prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes.

Note 5 Critical Judgements in Applying Accounting Policies

Pension Fund Liability
The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 27. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Impacts of Inflation and High Interest Rates
Inflation is a key assumption in the Fund's triennial valuation and therefore potentially impacts the valuation disclosure in Note 27 and the Going Concern assumption (Note 3). The valuation was scrutinised by Joint Pensions Committee and discussion testing the long term assumption for inflation has been minuted. The actuarial view is that while inflation is at a 40 year high this is a short term position only and therefore has a much lower impact over the long term investment horizon of the Fund. The actuary's valuation takes account of the use of September CPI to annually inflate benefit payments and again while this is projected to have an immediate impact on cashflows (see https://democracy.wandsworth.gov.uk/documents/s111504/Paper%20No.%2024-116%20Wandsworth%20Pension%20Fund%20Budget%20Forecast.pdf) the long and short term impacts are built into the relevant projections.

Likewise the current interest rate levels and likely duration at this level (which is linked to inflation assumptions) have been considered in the triennial valuation and shorter term cash flow projections (where prudence has also been considered).

Private Debt and Infrastructure investments (Level 3 Investments)
Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2024, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

Note 6 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts.
The judgements used in assessing asset values where manager valuations at 31 March 24 are unavailable are detailed in Note 5. The Level 3 assets which rely on professional judgement due to lack of market information are valued at £439.0m (Note 23) and a 1% change in value

is £4.4m.
The use of currency hedging to mitigate future exchange rate risk is detailed in Note 20.
The Fund has opted to disclose the actuarial present value of promised retirement benefits by way of Note 28 and the estimation and assumptions inherent in this calculation therefore has no impact on the Net Asset Statement.

Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made. The items in the Net Asset Statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible the fund valuer uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £15.0m, on carrying values of £150.4m.
Infrastructure funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets in similar way to property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of infrastructure-based investments by up to 10% i.e. an increase or decrease of £25.3, on carrying values of £253.0m.
Private debt funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets which are high yield debt instruments.	Changes in the valuation assumptions used, together with significant changes in credit rating of the counterparties could affect the fair value of debt-based investments by up to 10% i.e. an increase or decrease of £18.6m, on carrying values of £186.1m.

Note 7 Events After the Reporting Date

There were not events after the reporting date of 31 March 2024.

Note 8 Contributions Receivable

31 March 2023 £000		31 March 2024 £000
(18,607)	**Employees' Contributions**	**(19,884)**
(53,026)	Normal Contributions	(58,627)
(705)	Deficit Recovery Contributions	1,042
(1,354)	Augmentation Contributions	(978)
(55,085)	**Employers' Contributions**	**(58,563)**
(73,692)	**Total Contributions by Category**	**(78,447)**
(53,884)	Councils (LBRuT & WBC)	(57,447)
(11,543)	Scheduled Bodies	(12,198)
(2,602)	Admitted Bodies	(2,419)
(5,663)	Designated Bodies	(6,383)
(73,692)	**Total Contributions by Body**	**(78,447)**

Note 9 Transfers In from Other Pension Funds

31 March 2023 £000		31 March 2024 £000
0	Group Transfers	0
(12,867)	Individual Transfers	(6,038)
(12,867)		(6,038)

Note 10 Benefits Payable

31 March 2023 £000		31 March 2024 £000
72,684	Pensions	79,569
10,224	Commutation and Lump Sum Retirement Benefits	12,483
1,733	Lump Sum Death Benefits	1,961
84,641	**Total Benefits by Category**	**94,013**
76,023	Councils (LBRuT & WBC)	84,390
3,984	Scheduled Bodies	3,971
3,931	Admitted Bodies	4,325
703	Designated Bodies	1,327
84,641	**Total Benefits by Body**	**94,013**

Note 11 Payments To and On Account of Leavers

31 March 2023 £000		31 March 2024 £000
348	Refund to Members Leaving Service	336
0	Group Transfers	45,241
13,802	Individual Transfers	14,090
14,150	**Total Payments to/on account of Leavers**	**59,667**

Richmond Upon Thames College employer transferred to the Hillingdon Pension Fund as a result of a merger with Uxbridge College, with a net asset value of £45.2m which was transferred during March 2024.

Note 12 Management Expenses

2022/23 £000		2023/24 £000
	Management Costs	
1,184	Administrative Costs	1,318
11,199	Investment Management Expenses	12,165
390	Oversight & Governance Costs	381
12,773	**Total Management Costs**	**13,864**

2022/23 Detail of Investment Management Expenses	Total £000	Management Fees £000	Performance Fees £000	Transaction Costs £000
Bonds				
Allianz (ex-Rogge)	230	230		
Janus Henderson	55	55		
Pooled Property				
CCLA	31	31		
Janus Henderson managed Nuveen UKPF	0	0		
Legal & General	133	133		
Nuveen (UKPF)	510	278	232	
Schroders	387	387		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,152	1,152		
LCIV Global Equity Focus – Longview	2,136	2,136		
LCIV Legal & General passive overlay	27	27		
LCIV Sustainable Equity – RBC	964	964		
Pooled Multi-Asset				
LCIV Alternative Credit Fund - CQS	639	639		
Legal & General Multi Asset	172	172		
Oakhill	749	717	32	
Pooled Infrastructure				
JP Morgan	878	617	261	
Pantheon	474	474		
LCIV Renewable Infrastructure	1,030	1,030		
Pooled Private Debt				
Brightwood	192	192		
Churchill	566	566		
Permira	472	472		
Derivatives - Currency Hedging for risk management				
Russell	160	160		
London LCIV Fixed Costs	110	110		
Other – Balance of Estimated Fees	(21)	(21)		
Total paid to Fund Managers	**11,046**	**10,521**	**525**	**0**
Custodian - Custody Fees	46			
Administering Authority monitoring cost	107			
Total Investment Management Expenses	**11,199**			

2023/24 Detail of Investment Management Expenses	Total £000	Management Fees £000	Performance Fees £000	Transaction Costs £000
Bonds				
Allianz (ex-Rogge)	229	229		
Janus Henderson	56	56		
Pooled Property				
CCLA	27	27		
Legal & General	122	122		
Nuveen (UKPF)	252	252		
Schroders	410	410		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,291	1,291		
LCIV Global Equity Focus - Longview	2,170	2,170		
LCIV Legal & General passive overlay	28	28		
LCIV Sustainable Equity - RBC	973	973		
Pooled Multi-Asset				
LCIV Alternative Credit - CQS	812	812		
Legal & General Multi Asset	173	173		
Oakhill	1,047	663	384	
Pooled Infrastructure				
JP Morgan	722	569	153	
Pantheon	483	483		
LCIV Renewable Infrastructure	1,055	1,055		
Sandbrook	492	492		
Octopus	53	53		
Pooled Private Debt				
Brightwood	165	165		
Churchill	674	674		
Permira	528	528		
Derivatives - Currency Hedging for risk management				
Russell	168	168		
London LCIV Fixed Costs	101	101		
Other - Balance of Estimated Fees	(11)	(11)		
Total paid to Fund Managers	**12,020**	**11,483**	**537**	**0**
Custodian - Custody Fees	40			
Administering Authority monitoring cost	105			
Total Investment Management Expenses	**12,165**			

Transaction costs are defined as direct incremental costs of acquiring an asset, such as broker's commission. These are only available for segregated investments. Pooled investments report returns net of these direct costs due to the nature of the investment vehicle.

Administering Authority monitoring costs are an allocation of administering authority staff costs relating to monitoring investments.

Note 13 Investment Income

2022/23 £000		2023/24 £000
	Income from	
(5)	Equity	0
(6,308)	Bonds	(8,272)
(13,725)	Pooled Equity	(13,487)
(2,101)	Pooled Bonds & Multi Asset Credit	(2,282)
(6,711)	Pooled Property	(6,149)
(9,487)	Pooled Infrastructure	(9,677)
(10,874)	Pooled Private Debt	(21,731)
(1,440)	Cash Deposits	(5,830)
(50,651)	**Total Investment Income**	**(67,428)**
	Taxes on Income	
0	Overseas Withholding Tax on Equities	0
237	Overseas Withholding Tax on Bonds	1
260	Overseas Withholding Tax on Pooled Vehicles	278
497	**Total Taxes on Income**	**279**

Property Income

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

Note 14 External Audit Costs

31 March 2023 £000		31 March 2024 £000
21	Cost of External Audit in the year	81
0	Change in Prior Year Fee Adjustment (22/23)	9
21		**90**

2023/24 is the first year of a new contract for external audit. The new contract price has been increased to include the costs of changes to audit requirements and other changes during the last contract which have been subject to debated additional charges in recent years. PSAA agreed an amendment to the 2019/20 audit fee, and while it is anticipated there will be a similar amendment to the 2020/21 and 2021/22 fee, this cannot be reliably estimated at this time.

Note 15 Investments

31 March 2023 £000		31 March 2024 £000
	Investment Assets	
174,935	Bonds	200,299
	Pooled Funds	
1,561,008	- Equity	1,797,384
71,259	- Fixed Income Bonds	75,550
285,390	- Fixed Income Multi Asset Credit	312,859
156,097	- Property	150,389
207,047	- Infrastructure	246,069
195,366	- Private debt	190,360
	Derivative Contracts	
285	- Futures	478
11,224	- Forward currency contracts	2,226
7,062	Cash Collateral	13,188
3,974	Investment Income Due	5,075
405	Amounts Receivable for Sales	499
0	Amounts Receivable for Pending Spot FX	
2,674,052	**Other Investment Assets**	**2,994,376**
92,497	Cash Deposits	102,951
2,766,549	**Total Investment Assets**	**3,097,327**
	Investment Liabilities	
	Derivative Contracts	
(658)	- Futures	(279)
(547)	- Forward currency contracts	(3,477)
(1,375)	Amounts Payable for Purchases	(2,508)
(7,788)	Other Investment Liabilities	(13,188)
(10,368)	**Total Investment Liabilities**	**(19,452)**
2,756,181	**Net Investment Assets**	**3,077,875**

2022/23 classifications have been amended to reflect the current classifications used for 2023/24. This impacted the Pooled Equity and Pooled Fixed Income lines but does not change the total investments.

Note 16 Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in Market Value during the year £000	Market Value 31 March 2023 £000
Bonds	219,195	86,396	(92,693)	(37,963)	174,935
Pooled Equity	1,725,635	6,768	(141,607)	(29,788)	1,561,008
Pooled Fixed Income Bonds	79,586	563	0	(8,890)	71,259
Pooled Fixed Income MAC	330,327	0	(33,557)	(11,380)	285,390
Pooled Property	184,660	3,686	(1)	(32,248)	156,097
Infrastructure	161,572	34,062	(13,979)	25,392	207,047
Private debt	131,057	59,127	(3,501)	8,683	195,366
Investments excl. Derivatives	**2,832,032**	**190,602**	**(285,338)**	**(86,194)**	**2,651,102**
Derivative Contract:					
Futures	610	3,093	(3,718)	(358)	(373)
Forward Currency Contracts	(15,040)	188,657	(109,267)	(53,673)	10,677
	2,817,602	**382,352**	**(398,323)**	**(140,225)**	**2,661,406**
Other Investment Balances:					
Cash Deposits	50,695			45	92,497
Amount Receivable for Sales & Investments	0			0	405
Investment Income Due	3,098			0	3,974
Spot FX Contracts	0			66	0
Amount Payable for Purchases of Investments	(6,903)			3	(1,375)
Cash Collateral	2,518			0	7,062
Obligation to Return Cash Collateral	(2,408)				(7,788)
Total Net Investments	**2,864,602**			**(140,111)**	**2,756,181**
Other changes in balances recognised in the Fund Account					
Profit/(Loss) on Disposal of Investment and changes in Market Value				**(140,111)**	

2022/23 classifications have been amended to reflect the current classifications used for 2023/24. This impacted the Pooled Equity and Pooled Fixed Income lines but does not change the total investments.

Purchases and sales of derivatives are recognised as follows:

- Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts settlements are reported as gross receipts and payments.

Asset Category	Market Value 1 April 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2024
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	174,935	133,702	(114,881)	6,543	200,299
Pooled Equity	1,561,008	8,231	(50,878)	279,023	1,797,384
Pooled Fixed Income Bonds	71,259	276	0	4,015	75,550
Pooled Fixed Income MAC	285,390	0	(10,238)	37,707	312,859
Pooled Property	156,097	4,005	0	(9,713)	150,389
Infrastructure	207,047	49,792	(5,469)	(5,301)	246,069
Private debt	195,366	14,414	(16,035)	(3,385)	190,360
Investments excl. Derivatives	**2,651,102**	**210,420**	**(197,501)**	**308,889**	**2,972,910**
Derivative Contract:					
Futures	(373)	2,382	(2,618)	808	199
Forward Currency Contracts	10,677	49,332	(88,718)	27,458	(1,251)
	2,661,406	**262,134**	**(288,837)**	**337,155**	**2,971,858**
Other Investment Balances:					
Cash Deposits	92,497			(405)	102,951
Amount Receivable for Sales & Investments	405			0	499
Investment Income Due	3,974			0	5,075
Spot FX Contracts	0			(15)	0
Amount Payable for Purchases of Investments	(1,375)			(3)	(2,508)
Cash Collateral	7,062				13,188
Obligation to Return Cash Collateral	(7,788)				(13,188)
Total Net Investments	**2,756,181**			**336,732**	**3,077,875**
Other changes in balances recognised in the Fund Account					
Profit/(Loss) on Disposal of Investment and changes in Market Value				**336,732**	

Note 17 Investments Analysed by Fund Manager

Market Value 31 March 2023			Market Value 31 March 2024	
£000	**%**		**£000**	**%**
		Pooled (London LCIV)		
477,736	17.3	London LGPS LCIV (Global Equity Focus Longview)	563,765	18.3
342,259	12.4	London LGPS LCIV (Global Alpha Growth Baillie Gifford)	399,759	13.0
251,711	9.1	London LGPS LCIV (Sustainable Equity Fund RBC)	291,549	9.5
146,449	5.3	London LGPS LCIV (Alternative Credit CQS)	166,856	5.4
48,692	1.8	London LGPS LCIV (Renewable Infrastructure)	61,382	2.0
1,266,847	**45.9**	**Pooled total**	**1,483,311**	**48.2**
		Under Pool Management (London CIV)		
484,004	17.6	L&G (Passive equity)	542,468	17.6
484,004	**17.6**		**542,468**	**17.6**
		Direct		
188,514	6.9	Allianz (Enhanced Bonds)*	205,418	6.7
33,191	1.2	Janus Henderson (Pooled Bonds)	34,779	1.1
38,701	1.4	L&G (Bonds)	41,202	1.3
138,958	5.1	Oakhill (Multi-Asset Credit)	146,013	4.8
41,939	1.5	Nuveen Real Estate UKPF (Pooled Property)	41,143	1.3
4,216	0.2	CCLA / LAMIT (Pooled Property)	4,052	0.1
92,082	3.3	Schroders SCREF (Pooled Property)	86,773	2.8
18,383	0.7	L&G (Pooled Property)	18,585	0.6
81,206	2.9	Northern Trust (Custodian)	95,046	3.1
14,343	0.5	Russell Investments (FX Overlay)*	(992)	0.0
101,156	3.7	JP Morgan Asset Management (Infrastructure)	101,449	3.3
57,210	2.1	Pantheon Ventures (Infrastructure)	61,405	2.0
0	0.0	Sandbrook (Infrastructure)	13,411	0.4
0	0.0	Octopus (Infrastructure)	12,242	0.4
23,199	0.8	Brightwood (Private Debt)	21,042	0.7
88,909	3.2	Churchill (Private Debt)	81,904	2.7
83,323	3.0	Permira Advisors LLP (Private Debt)	88,624	2.9
1,005,330	**36.5**	**Direct total**	**1,594,564**	**34.2**
2,756,181	**100.0**	**Total Net Investments**	**3,077,875**	**100.0**
		* Segregated assets. All other assets held via pooled vehicles		

The following investments represent over 5% of the net assets of the Fund. All of these companies are registered in the UK.

Market Value 31 March 2023			Market Value 31 March 2024	
£000	**%**		**£000**	**%**
484,003	17.6	L&G (Passive equity)	542,468	17.6
477,736	17.3	London LGPS LCIV (Global Equity Focus Longview)	563,765	18.3
342,259	12.4	London LGPS LCIV (Global Alpha Growth Baillie Gifford)	399,759	13.0
251,711	9.1	London LGPS LCIV (Sustainable Equity Fund RBC)	291,549	9.5
188,514	6.8	Allianz (Enhanced Bonds)*	205,418	6.7
146,449	5.3	London LGPS LCIV (Alternative Credit CQS)	166,856	5.4
146,442	5.3	OHA Diversified Cr Strtgs Fund	146,013	4.7
2,037,114	**73.8**		**2,315,828**	**75.2**

Note 18 Stock Lending

Stock lending is normally prohibited in segregated investment management agreements.

Note 19 Property Holdings

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

Note 20 Analysis of Derivatives

Objectives and Policies for Holding Derivatives

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

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :
(1) the Allianz Global Investors bond mandate, largely to mitigate "off-benchmark" risks that are a feature of the manager's permitted investment approach
(2) in a strategic currency hedging programme ("Passive Currency Overlay / PCO") implemented by Russell Investments, which is described under b) Forward Foreign Currency below

a) Futures

The Fund holds futures as part of the fund managers' interest rate risk management strategy. Outstanding exchange traded futures contracts are as follows:

Economic Exposure £000	Market Value 31 March 2023 £000	Type	Expires	Economic Exposure £000	Market Value 31 March 2024 £000
		Assets			
13,332	285	UK Fixed Income Futures	< 1 Year	20,288	465
0	0	Overseas Fixed Income Futures	< 1 Year	(5,308)	13
	285	**Total Assets**			**478**
		Liabilities			
0	0	UK Fixed Income Futures	< 1 Year		
(25,958)	(658)	Overseas Fixed Income Futures	< 1 Year	(33,698)	(279)
	(658)	**Total Liabilities**			**(279)**
	(373)	**Net Futures**			**199**

b) Forward Foreign Currency

The Pension Fund entered into a passive currency hedging programme in May 2018 to manage risk, and not for speculation purposes. Hedge instruments are purchased to manage exchange rate risk in foreign currency denominated investments only. This is to support the Fund's choice to invest overseas to enhance diversification and achieve exposure to geographical returns outside the UK. The Fund hedges to mitigate the risk of adverse currency movement impacting this strategy.

The following arrangements were in place during 2023/24:

Financial instrument	How this has been applied to manage risk	Possible impact on future cash flows
Exchange rate hedge - Forward foreign exchange contracts	Mitigate the risk that adverse movements on foreign exchange rates will affect the carrying value and investment income relating to pooled funds including quoted overseas equities. Settlement is calculated at the contract end date based on the difference between spot rate and forward rate on a specified basket of currencies.	Note 26 shows the impact of 10% potential market movement in exchange rates. For a 10% reduction in exchange rates, the hedge would cover a loss of £108.7m (£107.7m in 22/23).

The details of the passive currency hedging implementation within the Fund based on the currency the investment is in are as follows:

Asset Class	Methodology
Global Equity	50% of notional currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards. The currencies are hedged according to the MSCI World Index allocations (rather than by reference to underlying actual exposures, where these may differ). Proxies for certain currencies are used where considered appropriate.
Infrastructure	50% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.
Private Debt	100% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.

The accuracy of the hedge is reliant on changes to asset values being communicated in a timely manner, and it is therefore accepted that the hedge may be up to 5% variant to the target at any point.

Infrastructure and private debt managers may also use currency hedging within their pooled vehicles.

Open Forward Foreign Currency Contracts are as follows:

Settlements	Currency Bought	Local Value of Currency Bought £000	Currency Sold	Local Value of Currency Sold £000	Asset Value £000	Liability Value £000
< 1 month	CHF	1,889	GBP	(1,733)	0	(67)
< 1 month	EUR	4,440	GBP	(3,815)	0	(16)
< 1 month	GBP	345,818	USD	(438,498)	0	(1,245)
< 1 month	GBP	315	SEK	(4,236)	1	0
< 1 month	GBP	937	AUD	(1,811)	1	0
< 1 month	GBP	2,955	CAD	(5,053)	0	(1)
< 1 month	GBP	163	SGD	(277)	0	0
< 1 month	GBP	677	CHF	(768)	0	0
< 1 month	GBP	4,452	EUR	(5,203)	0	(1)
< 1 month	GBP	3,978	JPY	(757,480)	0	(1)
< 1 month	HKD	11,985	GBP	(1,210)	3	0
< 1 month	JPY	274,291	GBP	(1,483)	0	(43)
< 1 month	SGD	479	GBP	(282)	0	(1)
1-6 months	CAD	344	GBP	(201)	1	0
1-6 months	CHF	341	GBP	(309)	0	(7)
1-6 months	GBP	521,582	USD	(660,391)	893	(1,885)
1-6 months	GBP	103,848	EUR	(121,074)	71	(23)
1-6 months	GBP	24,464	CAD	(42,022)	27	(163)
1-6 months	GBP	2,913	SGD	(4,938)	7	0
1-6 months	GBP	53,726	JPY	(10,039,458)	586	0
1-6 months	GBP	8,353	SEK	(109,719)	205	0
1-6 months	GBP	23,068	CHF	(25,604)	374	0
1-6 months	GBP	5,996	HKD	(58,915)	28	0
1-6 months	GBP	16,356	AUD	(31,621)	20	(24)
1-6 months	HKD	7,152	GBP	(718)	6	0
1-6 months	SGD	78	GBP	(46)	0	0
1-6 months	USD	1,292	GBP	(1,020)	3	0
Open Forward Currency Contracts at 31 March 2024					**2,226**	**(3,477)**
Net Forward Currency Contracts at 31 March 2024						**(1,251)**
Prior year comparative:						
Open Forward Currency Contracts at 31 March 2023					**11,224**	**(547)**
Net Forward Currency Contracts at 31 March 2023						**10,677**

Note 21 Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

LCIV Long Term Capital is not held for investment purposes, it represents the Fund’s commitment to the London Collective Investment Vehicle (LCIV) which was made for operational reasons to allow the Fund to access LCIV investments and obtain the benefits of pooled investment. It is therefore carried at cost.

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2024, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.
Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.
Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below:

	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level 1			
Cash Deposits	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Cash Collateral	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Equities	Published bid market price on the final day of the accounting period	Not Required	Not Required
Bonds	Quoted market value based on current yields	Not Required	Not Required
Short term debtors and creditors (investment and trade)	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Level 2			
Pooled equity, bond and Multi Asset Credit Investments	Published bid market price on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Level 3			
Pooled Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows or default in the underlying loans.
Pooled Infrastructure	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows, default by counterparties or site issues.

Sensitivity of assets valued at Level 3
Having consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024:

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

Asset	Potential Variation in Fair Value (+/-)	Value at 31 March 2024 £000	Potential Value on Increase £000	Potential Value on Decrease £000
Infrastructure - UK	14.4%	73,624	84,226	63,022
Infrastructure - US	14.4%	172,445	197,277	147,613
Private Debt - UK	10.6%	88,620	98,014	79,226
Private Debt - US	12.3%	101,740	114,254	89,226
		436,429	**493,771**	**379,087**

Table detail increased to reflect the split of UK and US investments required for exchange rate risk.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. As such, significant market volatility could result in larger movements in market price than set out above. The volatility assumptions displayed are based on option-implied market volatility, where available, with an allowance for the historical tendency of option-implied volatility to overestimate subsequent experienced volatility.

Note 22 Fair Value Hierarchy

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

	31st March 2023			
	Quoted Market Price Level 1	**Using Observable Inputs Level 2**	**With Significant Unobservable Inputs Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit and loss				
- Bonds	174,935	0	0	174,935
- Pooled Equity	0	1,561,008	0	1,561,008
- Pooled Fixed Income Bonds	0	71,259	0	71,259
- Pooled Fixed Income MAC	0	285,390	0	285,390
- Pooled Property	0	156,097	0	156,097
- Infrastructure	0	0	207,047	207,047
- Private Debt	0	0	195,366	195,366
- Derivative Assets	0	11,509	0	11,509
- Cash deposits	92,497	0	0	92,497
- Other investment assets	7,062	0	0	7,062
- Investment income due	0	3,974	0	3,974
- Amounts Receivable for Sales	0	405	0	405
	274,494	**2,089,642**	**402,413**	**2,766,549**
Financial Liabilities				
Fair value through profit and loss	0	0	0	0
Payable for investment purchases	0	(1,375)	0	(1,375)
Other investment liabilities	(7,788)	0	0	(7,788)
Derivative liabilities	0	(1,205)	0	(1,205)
	(7,788)	**(2,580)**	**0**	**(10,368)**
Total	**266,706**	**2,087,062**	**402,413**	**2,756,181**

2022/23 classifications have been amended to reflect the current classifications used for 2023/24. This impacted the Pooled Equity and Pooled Fixed Income lines but does not change the total investments.

	31 March 2024			
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
- Bonds	200,299			200,299
- Pooled Equity		1,797,384		1,797,384
- Pooled Fixed Income Bonds		75,550		75,550
- Pooled Fixed Income MAC		312,859		312,859
- Pooled Property		150,389		150,389
- Infrastructure			246,069	246,069
- Private Debt			190,360	190,360
- Derivative Assets		2,704		2,704
- Cash deposits	102,951			102,951
- Other investment assets	13,188			13,188
- Investment income due		5,075		5,075
- Amounts Receivable for Sales		499		499
	316,438	**2,344,460**	**436,429**	**3,097,327**
Financial Liabilities				
Fair value through profit and loss				0
Payable for investment purchases		(2,508)		(2,508)
Other investment liabilities	(13,188)			(13,188)
Derivative liabilities		(3,756)		(3,756)
	(13,188)	**(6,264)**	**0**	**(19,452)**
Total	**303,250**	**2,338,196**	**436,429**	**3,077,875**

Transfers between Levels 1 and 2

No assets have transferred between levels during the reporting period.

Note 23 Reconciliation of Fair Value Measurements within Level 3

The following table shows the movement between the opening and closing value of Level 3 instruments:

	Infrastructure £000	Private Debt £000	Total £000
Value 31st March 2022	**161,572**	**131,057**	**292,629**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	34,062	59,128	**93,190**
Sales & Derivative Receipts	(13,979)	(3,501)	**(17,480)**
Unrealised Gains / (Losses)	22,278	8,422	**30,700**
Realised Gains / (Losses)	3,114	260	**3,374**
Value 31st March 2023	**207,047**	**195,366**	**402,413**

	Infrastructure £000	Private Debt £000	Total £000
Value 31 March 2023	**207,047**	**195,366**	**402,413**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	49,792	14,414	**64,206**
Sales & Derivative Receipts	(5,469)	(16,035)	**(21,504)**
Unrealised Gains / (Losses)	(5,619)	(3,894)	**(9,513)**
Realised Gains / (Losses)	318	509	**827**
Value 31 March 2024	**246,069**	**190,360**	**436,429**

Note 24 Classification of Financial Instruments

31 March 2023				31 March 2024		
Fair Value through P&L £000	**Assets at Amortised Cost £000**	**Liabilities at Amortised Cost £000**		**Fair Value through P&L £000**	**Assets at Amortised Cost £000**	**Liabilities at Amortised Cost £000**
			Financial Assets			
174,935			Bonds	200,299		
1,561,008			Pooled Equity	1,797,384		
71,259			Pooled Fixed Income Bonds	75,550		
285,390			Pooled Fixed Income MAC	312,859		
156,097			Pooled Property	150,389		
207,047			Infrastructure	246,069		
195,366			Private Debt	190,360		
11,509			Derivative Contracts	2,704		
	92,497		Cash		102,951	
7,062	3,974		Other Investment Balances	13,188	5,075	
	405		Current Assets		499	
2,669,673	**96,876**	**0**	**Total Assets**	2,988,802	**108,525**	**0**
			Financial Liabilities			
(1,205)			Derivative Contracts	(3,756)		
		(7,788)	Other Investment Balances			(13,188)
		(1,375)	Creditors			(2,508)
(1,205)	**0**	**(9,163)**	**Total Liabilities**	(3,756)	**0**	**(15,696)**
2,668,468	**96,876**	**(9,163)**	**Net Total**	2,985,046	**108,525**	**(15,696)**
	2,756,181		**Grand Total**		**3,077,875**	

2022/23 classifications have been amended to reflect the current classifications used for 2023/24. This impacted the Pooled Equity and Pooled Fixed Income lines but does not change the total investments.

Note 25 Net Gains & Losses on Financial Instruments

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

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

2022/23 £000		2023/24 £000
	Financial Assets	
(86,194)	Fair value through profit and loss	308,889
114	Amortised cost - Realised gain on derecognition of assets	0
	Amortised cost - Unrealised gain	0
(86,080)		**308,889**
	Financial Liabilities	
(54,031)	Fair value through profit and loss	28,266
0	Amortised cost - Realised gain on derecognition of assets	(423)
	Amortised cost - Unrealised gain	0
(54,031)		**27,843**
(140,111)	**Net Gain/(Loss) on Financial Instruments**	**336,732**

Note 26 Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Risk measures for the whole Fund are covered in more detail in Note 3 Going Concern, while this note gives more detail on the risks associated with investing in financial instruments.

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund, and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

The Fund advisors consider asset volatility and a range of potential market movements when setting the Investment Strategy and asset allocations. This includes assessing the overall volatility for any proposed asset allocations taking into account any correlation (positive and negative) between asset classes when ensuring the proposals are within the Fund's appetite for risk and the trade-off between risk and the return required to achieve full funding as assessed in the triennial valuation. This is reviewed at least every 3 years (after valuation) and more frequently if there is an impairment trigger event or Members have concerns.

The Fund does not hold any fully passive investments but does invest in passive like global equity and bond funds (£583.7m or 18.9% of investments at 31 March) and has accepted the market risk required for passive like investment.

All other assets are actively managed. Active manager will be evaluating and managing risk as part of their investment decision making processes. This will include the risks related to any recent market volatility and interest rate and inflation movements. Fund managers will have access to wider information sources and professional expertise than officers and while officers will ensure they understand and challenge the processes used by fund managers in their investment decisions, they will not be over-ridden. Where investments are made via an LGPS pool (LCIV) the pool officers will be performing scrutiny and in depth reviews of fund managers processes to give further assurance.

All investment assets are carried at fair value and fund managers undertake this valuation at least quarterly so year-end values will include any known impairment or gain and the impact of market sentiment on pricing.

Responsibility for the Fund's risk management strategy rests with the Joint Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations, and reviewed regularly to ensure they reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors, asset classes and manager styles. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of the Fund's assets, looking at overall returns against the actuarial assumptions and the Fund's own appetite for risk and volatility. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

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

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2024/25, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value at 31st March 2023	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Fixed Interest Gilts	4,088	7.6%	4,399	3,777
UK Non Government Bonds	217,125	7.5%	233,408	200,841
Overseas Bonds	30,539	8.6%	33,166	27,913
Multi-Asset Credit	285,390	10.9%	316,498	254,282
Overseas Equities	1,555,450	18.1%	1,836,986	1,273,914
Pooled Property Investments	156,097	14.0%	177,951	134,244
Private Debt	195,366	13.0%	220,764	169,969
Infrastructure	207,047	15.4%	238,932	175,163
Total Assets Invested excluding derivatives, other investments and cash	**2,651,102**		**3,062,104**	**2,240,103**

Asset type	Value at 31 March 2024	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Fixed Interest Gilts	5,666	8.8%	6,165	5,167
UK Corporate Bonds	217,115	8.2%	234,917	199,312
Overseas Bonds	51,400	8.2%	55,616	47,185
Multi-Asset Credit	312,859	10.9%	346,961	278,757
Overseas Equities	1,797,384	18.4%	2,128,103	1,466,665
Pooled Property Investments	150,389	14.8%	172,647	128,132
Private Debt (UK)	88,620	10.6%	98,014	79,226
Private Debt (US)	101,740	12.3%	114,254	89,226
Infrastructure (UK)	73,624	14.4%	84,226	63,022
Infrastructure (US)	172,445	14.4%	197,277	147,613
Total value at risk	**2,971,242**		**3,438,180**	**2,504,304**

From 2023/24 the figures for bonds include some derivatives where the derivative will move with the price of the underlying asset as this is gives a more complete assessment of the risk.

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

The Fund’s direct exposure to interest rate movements as at 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis
The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. Interest rates are not currently expected to move more than 100 basis points (1%) from one year to the next and experience suggests that such movements are unlikely.

The analysis below assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/-1% change in interest rates. An increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

	Asset Value 31st March 2023	Duration	Impact of 1%	
	£000		Increase £000	Decrease £000
Asset Type				
Cash	94,163	n/a	n/a	n/a
UK Fixed Interest Gilts	4,088	9.2	(376)	376
UK Corporate Bonds	217,125	5.8	(12,593)	12,593
Overseas Bonds	30,539	6.9	(2,107)	2,107
Multi-Asset Credit	285,390	1.0	(2,854)	2,854
Total	**631,305**		**(17,930)**	**17,930**

Asset Type	Asset Value 31st March 2024 £000		Impact of 1% Increase £000	Impact of 1% Decrease £000
Cash	102,951	n/a	n/a	n/a
UK Government Bonds	5,666	8.6	(489)	490
UK Corporate Bonds	268,515	5.5	(14,634)	14,634
Overseas Bonds	51,400	6.7	(3,438)	3,439
Multi-Asset Credit	312,859	0.8	(2,409)	2,409
Total	**741,391**		**(20,970)**	**20,972**

This disclosure has been expanded to include more detailed analysis as the significant recent volatility in interest rates due to the geopolitical environment suggests that more information should be shown on this risk. For bonds and similar investments, the duration needs to be applied to calculate the impact of rate changes on fixed rate investments based on time to maturity and the fixed rate.

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

Asset Type	Interest Receivable 2023/24 £000	Impact of 1% Increase £000	Impact of 1% Decrease £000
Cash and Cash Equivalents	(5,830)	(58)	58
Bonds - UK index linked *	0	0	0
Private Debt	(21,731)	(217)	217
Total	**(27,561)**	**(275)**	**275**

* no longer investing in this asset class

While the fair value of fixed interest investments will change as changes in interest rates make the fixed rate return more or less attractive to investors, the interest receivable will not change. These are therefore excluded from the second set of tables.
Private debt is included as while carrying value will not change directly with interest rate changes, the debt is variable rate and so income will change.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Asset Value at 31st March 2023 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	30,539	10.0%	33,593	27,485
Overseas Equities	1,555,450	10.0%	1,710,995	1,399,905
Overseas Infrastructure	207,047	10.0%	227,752	186,342
Overseas Private Debt	195,366	10.0%	214,903	175,829
Total	**1,988,402**		**2,187,243**	**1,789,561**

Assets Exposed to Currency Risk	Asset Value at 31st March 2024 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	51,400	10.0%	56,540	46,260
Overseas Equities	1,797,384	10.0%	1,977,122	1,617,646
Overseas Infrastructure	172,445	10.0%	189,690	155,201
Overseas Private Debt	101,740	10.0%	111,914	91,566
Total	**2,122,969**		**2,335,266**	**1,910,673**

It should be noted that the Fund has a passive currency hedging programme in place to hedge approximately a 50% proportion of overseas currency exposure on its equity and infrastructure investments and approximately 100% of currency exposure on its Private Debt investments. Therefore the gains and losses on the sterling value of overseas assets quoted above will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

The Fund has also set a limit of 15% of the total investments to be placed in any one active investment (with LCIV sub funds defined as an investment for this risk control purpose). The Fund has a limit of 25% of total investments with any single manager (with LCIV sub funds defined as a manager for this purpose).

The Fund explicitly accepts credit risk in some of its investment classes, most notably the use of high yield bonds in Multi Asset Credit funds and the Private Debt class. This risk is mitigated by use of a pooled investment vehicle, due diligence by the manager and exposure limits within each pooled vehicle.

The Fund has a 1% allocation to cash in its Investment Strategy (with a tolerance range of 0.5-3% to allow for market movements and cash flow peaks and troughs). The majority of this is held in the custodian’s AAA rated money market fund, which has its own policies to ensure diversification and achieve LVNAV and AAA status. A working balance is held in the Fund’s bank (NatWest) which benefits from significant government ownership. Cash balances are also held by some managers for liquidity purposes, and these are not material.

The Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Balances at 31st March 2023 £000		Credit Rating	Balances at 31st March 2024 £000
	Moneymarket Funds		
90,572	NTGI Global Cash Fund	AAA	101,629
	Bank Deposit Accounts		
1,925	Variation margin		1,322
	Bank Current Accounts		
1,666	Held with the Fund's Bank	F1	1,260
94,163	**Total Cash Held**		**104,211**

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a bond or a guarantee before admitting new employers so that all contribution obligations are covered in the event of that employer facing financial difficulties. All monthly contributions due at 31 March 2023 and 31 March 2024 were received in accordance with a monthly payment schedule. This schedule is monitored and non-compliance with agreed schedules is raised with the employer and escalated as appropriate.

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations and one has given a charge on a property as security for a deferred cessation payment. These guarantees are drawn in favour of the Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2022/23 or 2023/24.

c) Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund is currently cash flow negative on dealings with members but positive taking into account investment returns being retained as cash rather than reinvested and excluding one-off events such as large transfers.

The Fund ensures liquidity by:

- holding day to day cash in an interest-bearing account with its bank and a Money Market Fund with its custodian, both with daily liquidity
- holding cash balances with investment fund managers which can be returned to the Fund in under a week to meet any major cash outflows (e.g. bulk transfer of staff to another Fund)
- investing in a range of assets and pooled vehicles which could be liquidated with sufficient notice to fund large planned cash outflows
- having an overdraft facility with its bank

The administering authority (Wandsworth Borough Council) is the lender of last resort to the Fund as facilitated by regulations, where the Fund does not have sufficient liquidity to meet its payment commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2024 the value of illiquid assets represented £589.5m, 19.1% of the total fund value (at 31 March 2023 this was £558.5m or 20.3% of the total fund).

Refinancing risk
The key risk is that the Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have the power to borrow long term (only to fund benefit payments or asset allocation changes with repayment within 3 months) and has not borrowed in year so has no exposure to this risk.

Note 27 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

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

Using the agreed assumptions, the Fund had assets sufficient to cover 116% of the accrued liabilities as at 31 March 2022. This shows an improvement since the 2019 valuation where the funding level was 105%.
The Fund has achieved solvency based on current conditions at that date with some margin for adverse change. This overall position does not apply equally to all employers within the Fund with those who joined the Wandsworth Fund when the Richmond Fund was subsumed (1st October 2016) being generally less well funded and therefore requiring deficit payments.

In addition to the primary contribution rate, most employers will also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.
The average employer's primary contribution rate across the Fund was :

Year	Rate
2017/18	18.0%
2018/19	18.0%
2019/20	18.0%
2020/21	19.6%
2021/22	19.6%
2022/23	19.6%
2023/24	20.0%

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

31st March 2019		31st March 2022
% p.a.	**Assumptions as at**	**% p.a.**
3.6%	Salary Increases	3.9%
2.6%	Pensions Increases (CPI)	2.9%
4.5%	Discount Rate / Return	4.4%

Demographic assumptions

The assumed life expectancy from age 65 is as follows:

31st March 2019	Life Expectancy from age 65	31st March 2022
	Retiring Today:	
21.7 years	- Male	21.0 years
24.3 years	- Female	23.5 years
	Retiring in 20 year :	
23.1 years	- Male	22.3 years
25.8 years	- Female	24.9 years

Mortality assumptions use 2021 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.25% p.a. with 7.0 smoothing parameter and no initial addition to improvements.

Commutation assumption

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

50:50 option

Take up of 50:50 is based on historic member data.

Note 28 Actuarial Present Value of Promised Retirement Benefits

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

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 27). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2023 £000		31 March 2024 £000
(2,291,412)	Present value of promised retirement benefits	(2,261,201)
2,757,847	Fair value of scheme assets (bid value)	3,079,135
466,435	**Net Asset / (Liability)**	**817,934**

The March 2023 figures above are based on employee data collected during the 2022 triennial valuation as opposed to March 2022 figures which were based on 2019 valuation employee details rolled forward. The impact of this update is seen in the Experience gain/(loss) on defined benefit obligations below which is significantly higher for 2022/23 than 2023/24, which starts from the 2022 data :

31 March 2023 £000		31 March 2024 £000
(546,798)	**Opening Net Asset / (Liability)**	**466,435**
(128,588)	Current service cost	(55,607)
(951)	Past service costs including curtailments	(13,879)
74,603	Interest on assets	131,808
(179,279)	Return on assets less interest	260,414
(88,102)	Interest cost	(106,513)
1,334,436	Change in financial assumptions	53,814
158,786	Change in demographic assumptions	30,721
(212,791)	Experience gain/(loss) on defined benefit obligations	(6,123)
(1,470)	Administration expenses	(1,698)
56,589	Contributions by employer	58,562
466,435	**Closing Net Asset / (Liability)**	**817,934**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 27) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2023 % p.a.		31 March 2024 % p.a.
4.80	Discount rate	4.90
2.95	Pension increase (CPI)	2.90
3.30	Inflation (RPI)	3.25
3.95	Salary increase	3.95

31 March 2023	Life expectancy from age 65 (years)	31 March 2024
	Retiring Today:	
21.1	- Male	20.8
23.5	- Female	23.3
	Retiring in 20 years :	
22.3	- Male	22.0
25.0	- Female	24.7

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance:

- a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £34.2m
- a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £2.0m
- a one-year increase in assumed life expectancy would increase the liability by approximately £84.9m.

Note 29 Long Term Debtors

31 March 2023 £000		31 March 2024 £000
	Long Term Debtors	
1,520	Opening Balance	2,739
1,352	Lifetime tax allowance paid in year	277
(133)	Recovery from pension in year	(146)
2,739		**2,870**

Note 30 Current Assets & Liabilities

Balance at 31 March 2023 £000		Balance at 31 March 2024 £000
	Current Assets	
1,666	Cash at Bank	**1,260**
1,528	Contributions Due	1,215
270	Contributions Due from Richmond & Wandsworth	213
415	VAT recovery due	129
151	Overpaid Pensions	197
50	Sundry Debtors	61
2,414		**1,815**
	Current Liabilities	
(17)	Unpaid Benefits	(3)
(175)	Fund Managers' fees	(190)
(908)	Amount Due to Richmond & Wandsworth	(1,095)
(899)	Amount Due to HMRC	(1,136)
(73)	Pensions Due to Estate of deceased pensioner	(84)
(583)	Sundry Creditors	(145)
(2,655)		**(2,653)**

Note 31 Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions. AVCs are entirely separate from the Fund Accounts but are reported here in a note in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions Paid 2022/23 £000	Market Value 31 March 2023 £000	Provider	Contributions Paid 2023/24 £000	Market Value 31 March 2024 £000
18	550	Clerical Medical	50	610
0	505	Utmost	0	506
302	2,893	Prudential	854	3,485
320	**3,948**	**Total**	**904**	**4,601**

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

Note 32 Agency Services

The Wandsworth Pension Fund pays discretionary awards to former employees of London Borough of Richmond and some associated employers of the ex-LB Richmond Fund to which this Fund is the successor body. The amounts paid are fully reclaimed from the employer bodies. These payments all relate to historic decisions. New discretionary awards are funded by capitalised strain costs paid by the employer at the point of award and the number and value of these payments should therefore decline over time.

The amount paid on behalf of LB Richmond for 2023/24 was £0.848m (£0.841m in 2022/23), with payments on behalf of other employers totalling £84k in 2023/24 (£219k in 2022/23).

Note 33 Related Party Transactions

Governance (Control of the Fund)

In 2016/17 the London Borough of Richmond upon Thames (RuT) Pension Fund was merged into the Wandsworth Borough Council (WBC) Pension Fund to facilitate the Shared Staffing Arrangement (SSA) being set up by the two councils. Under the SSA all former LBR and WBC staff are now jointly employed by both councils.

This merged fund is controlled by the Joint Pensions Committee with six members appointed by WBC and three members by RuT. Of the nine members serving on the Committee at year end, one had a deferred benefit in the scheme. Each member of the Pension Fund Committee is required to declare their interests.

In addition, Local Pension Board members during the year, Richard Perry, John Deakins, Peter Quirk and Collette Carter were active members and Chris Jones and Hilary Galloway were pensioners in the Fund during 2023/24.

Wandsworth Council and Richmond Council under the Shared Staffing Arrangement (SSA)

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

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

- Mrs F Merry (Executive Director of Finance)
- Mr P Guilliotti (Assistant Director of Finance - Financial Services)
- Mr M Doyle (Head of Pensions Shared Service)
- Ms C Baxter (Head of Pension Fund & Insurance Accounting)

They are all active members of the LGPS as SSA employees. The SSA is also the single largest employer of active members of the Pension Fund. All contributions owing to and due from the Fund were paid in year. There are also transactions between the Fund and SSA in respect of the services provided in administering and governance of the Fund, and with the Councils as employers in the Fund.

The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in Note 12.

This includes an element of the salary of the Executive Director of Finance. Their total remuneration is disclosed in the administering authority's accounts due to their role, and this amount is also shown below. As part of their role relates to the management of the Fund, the appropriate proportion of this is included in the administration charges to the Fund (see Note 12).

2022/23	**Salary (including fees and allowances)**	**Employers pension contribution**	**Remuneration including pension contributions**
Director of Finance - F. Merry	113,062	20,351	133,413

2023/24	**Salary (including fees and allowances)**	**Employers pension contribution**	**Remuneration including pension contributions**

Executive Director of Finance - F. Merry	125,657	23,990	149,647

The Fund is controlled by Joint Pensions committee which has membership from both councils. The employer's contributions made by both councils and the SSA in year are as follows:

2022/23	**WBC**	**RuT**	**SSA**
Employer's contributions	**£000**	**£000**	**£000**
- Normal	7,662	5,044	26,725
- Deficit	(625)	2,061	(1,800)
- Augmentation (Strain costs)	32	71	760
Total	**7,069**	**7,176**	**25,685**

2023/24	**WBC**	**RuT**	**SSA**
Employer's contributions	**£000**	**£000**	**£000**
- Normal	8,266	5,398	29,861
- Deficit	(1,783)	715	(762)
- Augmentation (Strain costs)	200	1	619
Total	**6,683**	**6,114**	**29,718**

Due to the strong relationship between the Council and the Pension Fund, it is deemed necessary to declare Councillor Govindia's interest as non-executive director of the London CIV. The Fund's investments via the LCIV pool are disclosed in Note 17. Under LGPS regulations, the Fund is required to invest via an available regional pool where such exists and offers investments in line with the Fund's investment strategy.

Note 34 Key Management Personnel

Elected Members do not receive additional allowance for their role in the Pension Fund, although the Chair of Joint Pensions Committee is entitled to a Special Responsibility Allowance of £2,918.20 pa to cover the additional duties of the role.

Local Pensions Board members are entitled to claim £200 attendance allowance per meeting, so may receive up to £600 per year.

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

Note 35 Contingent Liabilities and Contractual Commitments

Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2024 were $136m (£107m), compared to $191m (£154m) at 31 March 2023. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and timing starting from the date of each original commitment until the funds are fully subscribed.

Contingent Liabilities

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. For one ceased employer, cessation costs have been allowed to be spread into the future, but a charge is held on property they own to mitigate the risk, which is currently minimal due to improved funding levels at the 2022 valuation. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2023/24 or 2022/23.

Note 36 Accounting Standards Issued but Not Adopted

The 2024/25 Code introduces changes in Accounting Policies which need to be disclosed in the 2023/24 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

The following standards are issued but no adopted and are not expected to directly impact the Fund accounts due to the nature of the Fund or its investments:

- IFRS 16 Leases –the Fund does not hold any qualifying leases
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020 - The Fund only holds current liabilities in respect of benefits or supplier payments due at year end with no scope to defer settlement and therefore this has no impact on the Fund.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions - The Fund does not hold any fixed assets to which this would apply so this has no impact.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. The Fund does not recognise any long term liabilities in the Net Asset Statement so this has no impact.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The Fund is not a multinational group and this change has no impact on the Fund's ability to recover overseas tax due to its status as a government pension scheme.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The Fund does not use supplier finance arrangements so this has not impact.

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

Opinion

To follow

SCOPE OF RESPONSIBILITY

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

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

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

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

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

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

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

All Council Officers are set annual objectives which are directly linked to the Council's behaviours and values and key priorities. Progress against the objectives is monitored throughout the year and formally at an end of year appraisal review.

The Council's Anti-Money Laundering and Anti-Bribery policies, linked to the Whistleblowing Policy and Procedure, were reviewed in October 2021 to ensure that they remain effective in terms of reports of possible fraud or financial irregularities. The Council's complaints system is effective with numbers of complaints and reasons for complaints monitored by Executive Directors and reported to relevant Committees via Departmental Annual Reports.

Ensuring openness and comprehensive stakeholder engagement. The Council remains committed to effective and transparent annual financial and service planning and robust performance management - features independently recognised as being amongst the best of any authority in the country. As such, the key components of the Corporate Business Plan (CBP), including key objectives and a medium-term financial strategy (MTFS) remain integral to the business planning process in Wandsworth and are subject to regular scrutiny. Key objectives and the MTFS were recommended for approval by the Finance Overview and Scrutiny Committee on the 17th July 2023 and the16th October 2023, respectively, with the Executive approving the Corporate Plan KPIs on the 17th July 2023 and the MTFS on the 16th October 2023.

The Corporate Plan 2022 to 2026 is published on the Council's website and provides links to the various elements that make up the whole. This ensures that all residents, service users, partners and businesses continue to know how the Council is performing and can monitor successes or otherwise. The Corporate Plan is available using the following link: Corporate Plan

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

The Council has a well-developed suite of tools for consulting stakeholders and residents, with information provided on the Council's website which also provides regular feedback on meetings and publishes regular magazines and an annual report. The Council's web pages, and its Borough magazine ("Brightside") are available in a number of formats and help is available for stakeholders whose first language is not English. The online consultation portal has been used extensively during the year and where appropriate, other methods are frequently used alongside online consultation, such as face-to-face, telephone and paper forms, thereby ensuring that the widest range of the community is engaged on issues. The Council has a commitment to holding open meetings and committee reports, agendas and minutes are published on the internet. All Committee, Executive, Full Council and Licensing Panel Hearings are streamed, and the webcasts are available to watch on the Council's website for six months, after which they are archived.

Defining outcomes in terms of sustainable economic, social, and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes. The Council uses a variety of performance indicators to monitor how well its services are performing in meeting the needs of our service users and to measure their efficiency and value for money. The Council's over-arching objective of a distinctively low council tax is the main driver for value for money, together with the Council's procurement strategy that centres around the regular testing of the marketplace for services, supplies and works using, for the most part, utilising combined evaluation criteria weighting based on price, quality and social value to determine the most economically advantageous tender award criteria, dependent upon the subject matter of the tender/quote.

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

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

The Council has a streamlined set of directional and benchmarkable Corporate Plan KPIs aligned with the administration's priority commitments and objectives. This approach enables more focused and in depth scrutiny of key areas of service performance at Committees. There is also a new set of Business Critical KPIs developed purely for reporting to Directors' Board and Lead Members. This set provides them with a line of sight on performance which does not directly relate to the Council's priorities, but which nonetheless has an important impact of maintaining high levels of performance and resident satisfaction. They include timeliness, quality and responsiveness metrics which provide an early warning system about emerging issues and an opportunity to monitor actions implemented in response to performance issues. Reporting these two sets of KPIs to Directors' Board and Lead Members is quarterly with the streamlined Corporate Plan KPIs to Committees bi-annually at the important mid-year (Quarter 2) and end-year (Quarter 4) stages.

In 2019 the Council declared a Climate Emergency, setting a target to be a carbon neutral organisation by 2030. In November 2022, Wandsworth adopted a new net zero borough target of 2043 and during 2023, the Council delivered on key actions in the Climate Action Plan and expanded its engagement and partnership working on climate change.

Social value is embedded into the Council procurement process and Officers consider social value before the commencement of any procurement in order to determine the best procurement approach and to inform the design of the services required. Measurement and outcomes of contracts can include environmental metrics and KPIs.

The Council needs to continue with its engagement and communications plan, that puts partnership working with residents, business, and community groups at the heart of its work to deliver real and sustainable carbon footprint reductions in Wandsworth. The is a challenging endeavour that will have far reaching implications across the Councils operations.

At the end of 2022/23, service planning at a team level was introduced to strengthen the achievement of service areas objectives and ensure they are aligned to the Council's corporate objectives.

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

The Council recognises that good governance is underpinned by the standards and values of its Members and Officers. The standards and behaviour that are expected are clearly defined. The Council has an agreed standards framework for Members and Officers, which incorporates a local Code of Conduct; there continues to be a stand-alone Standards Committee and a Member complaints process which is within the Constitution. The Council also adopted the Local Government Association's Model Code of Conduct in October 2021 which took effect from the start of the municipal year in May 2022. All these measures are designed to ensure that the current high level of standards is maintained.

There are Members' and Officers' Codes of Conduct, all of which are kept under regular review and are supplemented by guidance. With the move towards being a commissioning council and increased involvement of third parties, and also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflicts of interests. The Code of Conduct for Officers (updated in April 2022 sets out clear and distinct rules in relation to the giving and receiving of gifts and hospitality. The Members' Code is included in the Council's Constitution.

Paper No. 22-71 in February 2022 outlined CIPFA's new Financial Management Code based on six principles – leadership, accountability, transparency, standards, assurance, and sustainability. That report concluded that the Council met all 17 standards, and this has been similarly confirmed for the current financial year.

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

The development needs for Members are seen to be adequately addressed both in terms of induction training and focussed continuous training. Officers have a formal appraisal process where training needs are adequately identified and catered for. The Council offers a full range of management and leadership training, for staff wishing to prepare themselves for future management roles through to senior leaders. There is a New and Aspiring Managers' Programme for those who wish to further develop their skills and knowledge to progress their careers and a Pan London Emerging Leaders Programme for managers, leading to an Institute of Leadership and Management qualification.

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

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

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

A Change Programme has been in development since December 2022 with the three overarching objectives of the programme being to; Enable delivery of the political priorities for each Council; Successfully navigate the financial challenges facing each Council; and Ensure we attract and retain the workforce needed to deliver excellent services to residents.

The Council participated in a Local Government Association Corporate Peer Challenge (CPC) in February 2023. The review functions as an improvement tool to help councils identify their strengths, areas of focus and improvement. The challenge covers five core themes; Local priorities and outcomes, Organisational and place leadership, Governance, and culture, Financial planning and management and Capacity for improvement. The CPC report was published later in 2023 setting out peer findings and commitments to improvement.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability. The Council has operated as a Shared Staffing Arrangement with Richmond Council since 1st October 2016, and in doing so has developed an Inter Authority Agreement between the two authorities; also the Council has updated its Constitution to ensure that the governance arrangements are effective and follow good practice. This arrangement has enabled both organisations to realise savings whilst preserving front line services and to pool experience and skills from across two organisations which has contributed to the development of both.

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

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

The Council's Climate Change Steering group, consisting of senior Council officers at Director, Assistant Director level and Heads of Service, is responsible for overseeing the direction and driving the performance of Climate Change and sustainability. The group acts a programme management board for the delivery of identified key areas of the action and takes the lead role in facilitating and enabling delivery, clearing roadblocks to development and delivery of projects and approaches.

The Council is committed to achieving value form money for its residents. All budget managers are responsible for the costs charged to their service area and must at all times strive to deliver value for money. The Council's Procurement Regulations set out rules and processes that Officers must follow to help ensure that procurement activity secures value for money and offer best value for services to the public.

In response to a number of high profile public interest reports, an audit was undertaken to strength test the organisation against a set of indicators based on key themes from those reports. A report was submitted to the Audit Committee in November 2022 providing a summary of the findings of this review. Whilst the audit concluded that there were no significant areas of concern, a number of recommendations were made to improve governance arrangements further. These included recommendations which would help to improve the effectiveness of the Audit Committee, one of which was to have two independent members. Two independent members were appointed during the year and the external review of the audit committee was completed.

REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

The Executive ensures that standards and performance levels are maintained through its performance management framework and resident feedback 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. This includes an annual review of the Council's Risk Management Strategy to ensure that it is fit for purpose and operated robustly.

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

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

The Standards Committee. The standard of conduct by Members at Wandsworth remains high with small numbers of complaints annually in the last decade. During 2023/24 a small number of complaints were dealt with by the Council’s Monitoring Officer using the agreed process, engaging as necessary with the Independent Person. The summary outcome of any these admissible complaints are reported annually. No complaints were received during the year that required formal investigation and consideration by the Standards Committee to determine next steps. The Council adopted the LGA model Code of Conduct for Members in 2021 has a local Code of Conduct for Members. As part of its remit the Standards Committee continues to consider whether the Code of Conduct remains relevant. which is reviewed regularly. The Council retains a stand-alone Standards Committee.

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

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

CONCLUSION

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

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

CERTIFICATE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance can be found using this link: **(*https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=311&MId=9558&Ver=4*)** and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) Devolved Management Organisations

In recent years, many audits receiving Limited Assurance opinions related to Devolved Management Organisations (DMOs) which consist of schools and Resident/Tennant Management Organisations. In 2023/24, there were two Limited Assurance audits related to Residential Management Organisations (RMOs). This is a decrease from previous years related to engaging with Housing officers more and issuing advisory reports where we feel improvements can be made on the performance monitoring of RMOs. It is a concern however, that audit reports and follow up action continues to find issues with completion of fire risk assessment actions and non-compliant fire doors. These issues are escalated to the appropriate Housing Officers and reported at the Housing & Regeneration SMT.

Four of the fifteen Schools audits completed during the year had Limited Assurance opinions awarded which is lower than previous years. DMOs have a greater level of autonomy, with delegated responsibility over areas of high risk such as financial management, human resources, and procurement, which has resulted in higher than average breach of controls.

(b) Information & Cyber Security

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

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

Systems and data handling control processes are regularly reviewed, both internally and by an external assessor, to ensure that they are compliant with UK General Data Protection Regulations (GDPR), and Data Protection Act (DPA) requirements and the SSA continues to retain the ISO27001 Certification across both Richmond and Wandsworth Councils. The Councils' cyber security arrangements are constantly evolving to combat these risks. Alongside an experienced in-house team with specific responsibilities for cyber security there are contracts in place for prevention support and incident management with external specialists who review systems integrity and conduct ethical hacks to assess the robustness of controls in place. The mandatory cyber and information security awareness training for all officers continues to provide an effective first line defence for reminding every officer of their responsibility to data protection. Robust arrangements have been established to ensure that security incidents are effectively and promptly addressed, seeking advice from the ICO and legal when necessary.

(c) Knowledge Management and Agile Working

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

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

(d) Contract Management

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

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

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

(f) Major Projects/Project Management
The Council’s joint venture with Taylor Wimpey to regenerate Winstanley and York Road and the 1000 Homes Programmes are major projects and require proper governance and risk management arrangements to be in place with a Project Board, a detailed risk register that is monitored and actively managed and regular reporting against key milestones. The council has not yet agreed a funding arrangement with Taylor Wimpey which creates challenges for the programme.

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

(g) Pupil Population Projections and Implications
School funding is driven by pupil numbers, the more pupils a school has on roll, the more funding it receives. Unused or vacant school places create an immediate cost for schools through reduced budgets, which means: less money for staff, resources, and equipment; less money to pay bills and to carry out maintenance work; and less money for extracurricular activities. This, together with the effect of the current cost of

living conditions; resulting in increases in the cost of energy and materials leaves schools in a challenging financial position which, without effective management could result in poorer outcomes for children.

The demand for school places in Wandsworth, as across London, has been in decline since 2018. Contributing factors include primary a fall in birth rate, the uncertainty brought about by Brexit causing some families to leave the UK / reduced immigration, more recently cost of living pressures have resulted in families moving outside of London, especially the increasing lack of affordability in the private sector. Modelling future pupil numbers is challenging however, birth rates are a strong indication of the future and at the moment the 0-5 populations have been in decline for a decade and are not expected to bottom out until well past 2030. The decline in numbers of births is likely to drive the reduced need for school places for the next 10 years or more.

Wandsworth has successfully implemented a strategy of reducing the numbers of forms of entry for schools over the last few years however, much of the excess capacity in the school system has now been removed. Schools with 1 form of entry cannot go to zero forms but they can federate, merge and/or find other ways to share resources. All these strategies have been applied in in Wandsworth and will continue to be required into the future.

(h) Cost of Living
In September 2022 the Council approved the creation of a £5m Emergency Funding Reserve, funded from the Council's own reserves, to underpin further work to support residents and businesses through the cost of living crisis. In July 2023, the Council committed a further £5m from the Council's own reserves to top-up the Cost of Living Reserve, in recognition that the crisis was ongoing and continuing to impact on local residents and businesses.

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

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

The fourth tranche of Household Support Fund grant totalling £4,138,970 was allocated to the Council, to be spent between April 2023 and March 2024. This has been used to support holiday food for young people and families eligible for free school meals; school uniforms for people on low incomes; additional support for looked after children and children in need; and additional discretionary crisis support grants.

The focus for the Cost of Living Programme moving into 2024 is on responding to the recommendations of the Cost of Living Commission, which the Council has fully accepted, through the established governance arrangements. This includes continuing to deliver longer-term strategic interventions such as the Money Hubs and use of the LIFT (Low-Income Family Tracker) platform and to continue to adapt the programme to match the needs of residents. Increasingly the focus of the programme will be on building capacity and resilience amongst individuals and communities, whilst also recognising that immediate support will still be required. Inflation has slowed and there is an improving forecast, and in some cases demand for support has increased more slowly, but it remains well above pre-pandemic levels and shows no signs of diminishing.

In recognition of this, the Council has added an additional £5m to the Emergency Funding reserve from its own reserves, bringing the total committed to £15m, and will also utilise the additional Household Support Fund grant of £2,069,485 announced
by Government in the Spring Budget to be spent by October 2024.

Signed: Simon Hogg ....

Cllr Hogg
Leader of the Council

Mike Jackson
Chief Executive
On behalf of Wandsworth Council

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFIT

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORY (STOCK)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The authority's borrowings less cash and liquid resources.

NON-DOMESTIC RATES (NNDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

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Wandsworth Council

Un-audited Accounts for the year 2022/23

Un-Audited
7 November 2024

www.wandsworth.gov.uk

Contents

Narrative Report

Introduction

This is the Statement of Accounts of Wandsworth Council for the financial year 2022/23. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which in turn is underpinned by International Financial Reporting Standards. This means that the accounts are prepared on the same basis as the rest of the local authorities and central government in the United Kingdom. This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow, as well as giving information as to how the Council will develop over the next few years.

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

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

Organisational Overview

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

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

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

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

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

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

The local elections in May 2022 resulted in a change of administration in the Council for the first time in 44 years. The new administration's manifesto promised change and, this has been reflected within the Council's new corporate plan 2022 to 2026. This can be viewed online at https://www.wandsworth.gov.uk/the-council/how-the-council-works/council-plans-and-policies/corporate-plan/. The plan prioritises the issues that residents have told us matter to them: a fairer Wandsworth, a compassionate Wandsworth and a more sustainable Wandsworth.

Operational Model

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

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

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

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

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

Risks and Opportunities

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

https://democracy.wandsworth.gov.uk/documents/s102489/A06%2023-111%20-%20Annual%20Review%20of%20Risk%20Management.pdf

The Covid-19 pandemic

The impact of the Covid-19 pandemic has been much less significant during 2022/23 than 2021/22, with limited impact on services through the year. The 2022/23 budget included a £2m contingency for Covid-19, which was allocated to services with reduced income levels during the year. The impact for 2023/24 onwards has been reflected within the normal budget setting processes.

Cost of Living

In response to cost of living pressures, during 2022/23 the Council set aside £5.7m in a Cost of Living Reserve to assist residents and business during the crisis. £3.2m of this funding has been allocated to date, of which £1.6m has been spent in 2022/23. In addition the Council has maximised its use of the Government's Household Support Fund grant, spending in full its allocation of £2.1m of Household Support Fund tranche 2 and £2.1m of Household Support Fund tranche 3. Further plans are in place to continue this cost of living work in 2023/24.

Performance

As the Council's main strategy document, the Corporate Business Plan plays a key role in shaping the performance management framework for the Council. A suite of performance indicators is included within the Corporate Business Plan to help monitor performance and track progress on key issues for the Council. The Corporate Business Plan is published annually and the latest can be viewed on the Council's website at www.wandsworth.gov.uk/cbp.

Financial Performance

General Fund Revenue Budgets

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

	Revised Budget	Actual	Variance
Committee	**£000**	**£000**	**£000**
Health	86,310	85,498	-812
Environment	43,464	41,717	-1,747
Children's	85,188	86,182	994
Finance	-3,237	-8,942	-5,706
Housing	15,209	16,680	1,470
Transport	-6,127	-2,717	3,410
	220,807	**218,418**	**-2,391**
Planned Slippage into 2023/24		1,996	1,996
Total Committee Expenditure	**220,807**	**220,414**	**-394**

There are a number of budgets approved for 2022/23 but on a short-term basis that span the financial year end. The unspent budgets for these programmes (-£2m) need to be re-established ("slipped") into 2023/24 to enable completion of the programmes and the budgets for these are requested to be rolled over to 2023/24.

The most significant variances are: higher income on investment balances than budgeted (-£1.8m); an underspend on property services (-£1m) due to variances on utility costs, reduced income from parking due to ongoing behavioral changes post Covid-19 (£2.3m); plus the write back of unused provision for invoice payments (-£1m).
Further information on the Council's financial performance is reported to the Finance Committee and the Executive in June/July of each year and the latest report can be viewed on the Council's website at:
https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=766&MId=8854&Ver=4.

Revenue Reserves

The opening General Fund working balance was £16.2m at 1 April 2022 and was budgeted to drop in year to the agreed contingency level of £13.5m reflecting spending funds carried forward from 2021/22. The General Fund balance was finalised at £14.6m at 31 March 2023, with some of the in-year underspend set aside for specific projects. A subset of the Council's revenue reserves, summarised in Note 13 have increased by £5.6m to £205.0m. When considered as a whole earmarked reserves have increased by £53.7m during the year from £317.9m to £371.6m, largely as a result of changes in the accounting treatment of section 106 receipts.

Treasury Management

Treasury investment income performed very well over the year as a direct result of higher cash balances (£788m average) against a high interest rate environment. The higher balances were due to a number of factors including higher opening cash balances than anticipated when the budget was set, 2022/23 capital programme reprofiling reflecting spend being lower than expected, and other large receipts received in year.

External debt reduced from £52m to £34m continuing the repayment of the long-term borrowing taken up for the Housing Revenue Account subsidy buyout in 2012.

Capital Expenditure

Capital expenditure for the year, excluding expenditure on council housing, was £37.1m. The outturn against planned budget was as follows:

Committee	Budget 2022/23 £'000	Expenditure 2022/23 £'000	Variance 2022/23 £'000
Health	1,339	1,060	-279
Environment	13,430	5,544	-7,886
Children's	5,766	5,172	-594
Finance	27,589	11,055	-16,534
Housing	1,471	1,476	5
Transport	24,020	12,753	-11,267
Total	73,615	37,060	-36,555
Financed by:			
Capital Receipts	21,649	15,387	
Grants and Reimbursements	14,508	9,898	
CIL and Section 106 Receipts	36,851	11,465	
Revenue Contributions	607	310	
Total	73,615	37,060	

Unspent budget on schemes will be slipped into future years where appropriate. At the end of the year the Council held £20.1m (£31.4m 2021/22) of General Fund usable capital receipts.

Schools Budget

The Dedicated Schools Budget (DSB) was overspent by a net total of £5.8m in year. The main pressures are in the High Needs Block. The main drivers of expenditure are increased volumes of Education, Health and Care Plans (EHCPs), complexity of need, as well as the increased average cost of school placements in the independent sector, compounded by reaching capacity in local state funded special school provision. The number of EHCPs granted nationally has steadily increased over the years and this is reflected in Wandsworth. The deficit brought forward from 2021/22 of £4.6m together with the in-year overspend leaves a deficit balance of £10.4m which will be carried forward into 2023/24. Further information on the impact of the overspend can be read about in the outturn report referenced above.

Council Housing

Housing Revenue Account (HRA) budgets for 2022/23 assumed net use of reserves in the year of £62.1m from an opening balance of £282.8 million. Actual income and expenditure in the year generated a net deficit of £27m, with the variance largely resulting from the programming across years of spend on the Council's regeneration and development capital programmes. Total reserve balances carried forward are therefore £255.8m. The balance on the HRA reserves is retained against the risk of future shortfalls on the ringfenced account, to fund future expenditure on major repairs and to contribute towards the Council's extensive regeneration and development plans.

Collection Fund

The Collection Fund net deficit at the year-end was £0.9m: a £4.3m surplus in relation to Council Tax and a £5.2m deficit for Business Rates. The Council is liable for 30% of the Business Rates deficit which is collected from the General Fund over the next two years.

Group Accounts

The financial statements include group accounts to reflect the Council's joint venture with Taylor Wimpey UK Limited, Winstanley and York Road Regeneration LLP. The principal activity of the partnership centres around the regeneration of York Road and Winstanley estates.

Pensions

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

As at 31 March 2023 the Fund has changed from having a net liability of £125.3m to a net asset of £356.2m. This change is largely attributable to external factors, with the discount rate assumed for employers being higher than assumed in 2021/22. A higher discount rate results in a lower value being placed on the defined benefit obligation and an improvement in the overall position.

The latest triennial valuation at March 2019 noted the Fund had a small surplus and set the Council's contribution rate as 19.1% of pay from 1 April 2023 (previously 18%). The Council had set aside £43.4m in a Pensions Resilience Reserve to offset the effects of the potential for increased employer contributions and is expecting to draw down around £0.8m for each of the next three years.

Outlook

The MTFS details the current position and assumed future direction of travel for the Council's finances, including demonstrating how the Council is proactively responding to the current financial challenges of reducing government funding, inflation and increasing demographic pressures on some services. The Council has a statutory duty to balance the budget year on year which can include the use of reserves, and reserve balances will continue to be reviewed annually as a result.

The current MTFS highlights the options available for meeting the anticipated funding gap. It identifies how a mix of efficiencies, economies and charge increases (including modest Council Tax increases) when combined with a planned run down of reserves will continue to allow for a balanced budget in the coming years. The overall aim of this approach is to protect, as far as is practicable, local services whilst enhancing working arrangements with other Councils and other public bodies, creating a sustainable financial position. The strategy continues to evolve and will need to be updated to reflect the new administration's priorities, and an updated version will be published in October reflecting the continuing circumstances resulting along with other developments to the Council's finances.

Statement of Responsibilities

Responsibilities of the Council

The Council is required to:

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

Responsibilities of the Executive Director of Finance

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

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

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

The Executive Director of Finance has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of Wandsworth Council and group as at the 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Fenella Merry
Executive Director of Finance
7 November 2024

Date authorised for issue: This Statement of Accounts is authorised for issue on 7 November 2024 and any events up to this date are reflected in the note Events after the Balance Sheet date.

Comprehensive Income and Expenditure Statement

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

Restated 2021-22					2022-23		
Expenditure £000	**Income £000**	**Net £000**	*Notes*		**Expenditure £000**	**Income £000**	**Net £000**
322,028	(215,201)	106,827		Children's	337,165	(229,864)	107,301
49,672	(12,223)	37,449		Environment	50,854	(11,365)	39,489
208,685	(179,701)	28,984		Finance	187,018	(158,541)	28,477
145,570	(87,749)	57,821		Health	159,832	(87,213)	72,619
46,406	(26,938)	19,468		Housing	54,263	(35,869)	18,394
139,401	(147,120)	(7,719)		Housing Revenue Account	153,901	(155,725)	(1,824)
152,432	(161,608)	(9,176)		Transport	70,796	(125,601)	(54,805)
1,064,194	**(830,540)**	**233,654**		**Cost of Services**	**1,013,829**	**(804,178)**	**209,651**
7,480	(21,783)	(14,303)	*10*	Other Operating Expenditure	66,010	0	66,010
65,504	(73,119)	(7,615)	*11*	Financing and Investment Income and Expenditure	97,084	(114,124)	(17,040)
0	(268,799)	(268,799)	*12*	Taxation and Non-Specific Grant Income	0	(271,596)	(271,596)
1,137,178	**(1,194,241)**	**(57,063)**		**Surplus or Deficit on Provision of Services**	**1,176,923**	**(1,189,898)**	**(12,975)**
		(44,194)	*14*	Surplus or deficit on revaluation of Property, Plant and Equipment			(120,247)
		(285,495)	*44*	Remeasurement of the net defined benefit liability / asset			(502,724)
		(329,689)		**Other Comprehensive Income and Expenditure**			**(622,971)**
		(386,752)		**Total Comprehensive Income and Expenditure**			**(635,946)**

Balance Sheet

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

31 March 2022 £000	Notes		31 March 2023 £000
2,827,101	14,15	Property, Plant and Equipment	2,949,873
1,351	16	Heritage Assets	1,351
72,928	17	Investment Property	70,111
79,042	20	Long-Term Investments	100,438
38,707	20	Long-Term Debtors	38,644
3,019,129		**Long Term Assets**	**3,160,417**
494,125	20	Short-Term Investments	561,746
1,054	24	Assets Held for Sale	1,054
4,540	19	Inventories	4,431
158,070	21	Short-Term Debtors	125,248
176,669	23	Cash and Cash Equivalents	87,742
834,458		**Current Assets**	**780,221**
(17,909)	20	Short-Term Borrowing	(17,808)
(181,250)	25	Short-Term Creditors	(156,021)
(6,473)	26	Provisions	(7,651)
(30,680)	39	Grants Receipts in Advance - Revenue	(7,709)
(218)	39	Grants Receipts in Advance - Capital	(217)
(236,530)		**Current Liabilities**	**(189,406)**
(39,582)	20	Long-Term Creditors	(39,582)
(6,874)	26	Provisions	(6,686)
(34,403)	20	Long-Term Borrowing	(17,202)
(125,271)		Other Long-Term Liabilities	356,220
(7,758)	39	Grants Receipts in Advance - Capital	(4,867)
(213,888)		**Long Term Liabilities**	**287,883**
3,403,169		**Net Assets**	**4,039,115**
(828,352)	27	Usable Reserves	(847,399)
(2,574,817)	28	Unusable Reserves	(3,191,716)
(3,403,169)		**Total Reserves**	**(4,039,115)**

Fenella Merry 7 November 2024

Movement in Reserves Statement

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

		General Fund Balance	**Earmarked General Fund Reserves**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Un-applied Account**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
	Notes	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2022		**(16,221)**	**(317,923)**	**(147,799)**	**(31,391)**	**(135,033)**	**(179,985)**	**(828,352)**	**(2,574,817)**	**(3,403,169)**
Surplus or deficit on the provision of services	*CIES*	45,088		(58,062)				**(12,974)**		**(12,974)**
Other Comprehensive Income / Expenditure	*CIES*								(622,971)	**(622,971)**
Total Comprehensive Income and Expenditure		**45,088**	**0**	**(58,062)**	**0**	**0**	**0**	**(12,974)**	**(622,971)**	**(635,945)**
Adjustments between accounting basis and funding basis under regulations	*9*	(97,700)		52,878	11,378	32,679	(5,307)	**(6,072)**	6,072	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(52,612)**	**0**	**(5,184)**	**11,378**	**32,679**	**(5,307)**	**(19,046)**	**(616,899)**	**(635,945)**
Transfers to / from Earmarked Reserves	*13*	54,186	(53,713)	(473)				**0**	0	**0**
Increase or Decrease in 2022-23		**1,574**	**(53,713)**	**(5,657)**	**11,378**	**32,679**	**(5,307)**	**(19,046)**	**(616,899)**	**(635,945)**
Balance at 31 March 2023		**(14,647)**	**(371,636)**	**(153,456)**	**(20,013)**	**(102,354)**	**(185,292)**	**(847,398)**	**(3,191,716)**	**(4,039,114)**

	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2021		**(15,519)**	**(298,543)**	**(139,332)**	**(23,405)**	**(159,516)**	**(142,033)**	**(778,348)**	**(2,238,536)**	**(3,016,884)**
Opening Balance Adjustment									467	**467**
Surplus or deficit on the provision of services	*CIES*	(18,557)		(38,506)				**(57,063)**		**(57,063)**
Other Comprehensive Income / Expenditure	*CIES*								(329,689)	**(329,689)**
Total Comprehensive Income and Expenditure		**(18,557)**	**0**	**(38,506)**	**0**	**0**	**0**	**(57,063)**	**(329,689)**	**(386,752)**
Adjustments between accounting basis and funding basis under regulations	*9*	(1,525)		30,039	(7,986)	24,483	(37,952)	**7,059**	(7,059)	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves		**(20,082)**	**0**	**(8,467)**	**(7,986)**	**24,483**	**(37,952)**	**(50,004)**	**(336,748)**	**(386,752)**
Transfers to / from Earmarked Reserves	*13*	19,380	(19,380)					**0**	0	**0**
Increase or Decrease in 2021/22		**(702)**	**(19,380)**	**(8,467)**	**(7,986)**	**24,483**	**(37,952)**	**(50,004)**	**(336,281)**	**(386,285)**
Balance at 31 March 2022		**(16,221)**	**(317,923)**	**(147,799)**	**(31,391)**	**(135,033)**	**(179,985)**	**(828,352)**	**(2,574,817)**	**(3,403,169)**

Cash Flow Statement

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

2021-22 £000	*Notes*		2022-23 £000
(57,063)		Net (surplus) or deficit on the provision of services	(12,975)
(170,004)		Adjustment to surplus or deficit on the provision of services for noncash movements	(121,877)
118,273		Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	85,851
(108,794)	*29*	**Net cash flows from operating activities**	**(49,001)**
102,122	*30*	Net cash flows from investing activities	153,561
(10,875)	*31*	Net cash flows from financing activities	(15,633)
(17,547)		**Net (increase) or decrease in cash and cash equivalents**	**88,927**
159,122		Cash and cash equivalents at the beginning of the reporting period	176,669
176,669		**Cash and cash equivalents at the end of the reporting period**	**87,742**

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its year end position at 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Amendment) Regulations 2022. These regulations also require that the Accounts be prepared in accordance with proper accounting practices which are supported by the International Financial Reporting Standards (IFRS) These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC).
- Relevant statutory guidance issued by Government.

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

1.2 Going Concern

The Council's financial statements are prepared on the going concern basis; that is, the accounts are prepared on the assumption that the authority will continue in operational existence in the foreseeable future. The provisions in the Code and the Financial Reporting Council's Practice (Note 10) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year and indeed, correspondence from Government during Covid-19 was supportive of this approach. Additionally central government increasing Council Tax increase thresholds for struggling Councils supports this approach. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies such as Government reorganisation do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

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

The Council has undertaken cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum headroom in excess of £360m in 2023/24 and £320m in 2024/25.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, over 12 months from 30 June 2023. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short-term investment balances of £723m at 31 March 2023 and the overall limit for total borrowing under the Treasury Management Policy 2022/23 of up to £150m in 2022/23. Current long-term borrowing will be £17m at the end of 2023/24, and new long-term borrowing could potentially be taken in 2023/24 up to £134m). This demonstrates that the Council has sufficient liquidity over the same period as it is not expected for any new short-term borrowing to occur in 2023/24 or 2024/25.

1.3 Accruals of Income and Expenditure

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

Income

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

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

Expenditure

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

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

Interest

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

Debtor and creditor balances (accrual policy)

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

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

Utility payments

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

Income from Penalty Charge Notices (PCNs)

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

De Minimis levels

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year end to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and was set at £10k for 2022/23.

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

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

Revenue from contracts with service recipients

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

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

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

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

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

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

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

1.4 Cash and Cash Equivalents

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

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

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

1.5 Long term non-monetary assets

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

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

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

1.6 Exceptional Items

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. IAS 8 includes the requirement to disclose, if retrospective restatement is impractical for a particular prior period, the circumstances that led to the existence of that condition and description of how and from when the error has been corrected.

1.8 Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.

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

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

1.9 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and any non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable as at 1 April 2023 being the start of the year in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable because of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are generally charged on an accruals basis in the CIES if detailed notification of redundancy has been issued before 31 March (see accounting Policy 1.28).

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

Post-Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the CIES.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES.
- Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the CIES.
- Re-measurements of the net defined benefit liability (asset) comprising:
  - Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has occurred) and b) the effects of changes in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Wandsworth Council Pension Fund – cash paid as employer's and employees' contributions to the pension fund in settlement of liabilities.

- Benefits Paid (payments to discharge liabilities directly to pensioners) – a charge to the Pension Fund, reimbursed from the Council where there are unfunded discretionary benefits.

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

Discretionary Benefits

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

1.10 Fair value measurement

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

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

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

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

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

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

1.11 Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

Financial assets are generally classified into two types:

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

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

Amortised Cost

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

Where assets are identified as impaired because of an expectation that future cash flows might not take place because the borrower could default on their obligations under the contract, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. An assessment of credit risk is crucial in measuring any losses.

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

Fair Value through Profit and Loss

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

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

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

Changes in fair value are recognised in the Surplus or Deficit on the Provision of Services as they arise in the Financing and Investment Income and Expenditure line in the CIES.

For Pooled Investment Funds the Government has introduced a regulation to mitigate the effects of changes in fair value on the Council Tax payer for a period of 7 years from 1 April 2018 (IFRS 9 override). Changes in fair value are therefore transferred from the CIES to an account established solely for this purpose on the Balance Sheet. This account is called the Pooled Investment Funds Adjustment Account. In anticipation of the IFRS 9 override ending on 1 April 2025, the Council has set up the IFRS9 Risk on Investments Earmarked Reserve.

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

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

Expected credit loss model

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority assesses small value similar loans as a group to avoid undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis.

Foreign Currency Translation

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

1.12 Government Grants and Contributions

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

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

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

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

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

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

1.13 Community Infrastructure Levy

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for Government grants and contributions set out above.

In addition, the Council collects a separate CIL on behalf of the Mayor of London. This is payable to Transport for London (TfL). CIL collected on behalf of other bodies is treated as an agency transaction and as such only net cost of administration will be reported in the Council’s Accounts.

1.14 Heritage Assets

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

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

1.15 Intangible Assets

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

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

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

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

1.16 Inventories

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

1.17 Investment Property

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

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

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

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

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

1.18 Revenue Expenditure Funded from Capital under Statute

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

1.19 Leases

IFRS 16 (Leases) is deferred until 1 April 2024 therefore leases are still classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

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

No finance leases are currently held.

<u>Operating Leases</u>

<u>The Council as Lessee</u>

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

<u>The Council as Lessor</u>

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

1.20 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but not less frequently than every 5 years. In addition, all assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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

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

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

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

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

<u>Impairment</u>

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

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

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

<u>Depreciation</u>

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

Depreciation is calculated on the following bases:

- Operational property assets – straight-line allocation over the useful life of the property as estimated by the valuer
- HRA Assets – depreciated based on the componentised weighted remaining useful life of beacon properties.

- Vehicles, plant and equipment – straight-line allocation over expected life of the asset as estimated by a suitably qualified officer on acquisition.
- Infrastructure – straight-line allocation over 20 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

1.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.22 Reserves

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

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

1.23 VAT

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

1.24 Accounting for schools

Revenue Income and Expenditure

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

Capital

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

1.25 Council Tax and Business Rates

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

Accounting for Council Tax and Business Rates

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

1.26 Events After the Balance Sheet Date

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

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

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

1.27 Long Term Contracts

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

1.28 Redundancy Costs

The Council raises a provision for redundancy costs when communication of the decision to involved parties has been made, therefore giving a valid expectation that closure of employment will take place. If a detailed notification of redundancy has been issued before

31 March but the amount has not yet been paid, a liability is recognised in the accounts as an accrual.

1.29 Infrastructure Assets

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

Note 2 - Accounting Standards Issued, Not Adopted

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

IFRS 16 (Leases) will require local authorities to recognise assets on their Balance Sheet where any contract gives rise to a ‘right of use asset’. Currently, a distinction exists between operating and finance leases for lessees. Finance leases are accounted for as acquisitions (asset on the Balance Sheet) and operating leases are expensed in year therefore are not currently required to be reported on lessee balance sheets. IFRS 16 largely removes this distinction unless it is a short term (12 months or less) or low value contract. For lessors, the reporting requirements are largely unchanged as under the revised IFRS 16 there is still a distinction between operating and finance leases. The implementation of IFRS 16 has been deferred until 1 April 2024 and the Council is not voluntarily adopting IFRS 16 in the 2023/24 financial year therefore no estimation of impact is included in the 2022/23 Statement of Accounts.

All other accounting changes introduced by the 2023/24 Code are minor and do not affect the Council.

Note 3 - Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce levels of service provision.

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

Shared Staffing Arrangement (SSA) with Richmond Council

Under the SSA many costs (largely staff costs) are shared between the two councils. Generally, the amounts charged to each council continue to be calculated by service area and apportioned according to each council's requirement for the SSA. A schedule is prepared and reviewed annually and details the apportionment (and methodology) of the shared costs. Full

details on the basis for sharing costs was approved by the Council in April 2016 and can be found at the following link at Item 8 Appendix A:
https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=296&MId=5203&Ver=4
The majority of costs are split between the two councils based upon the latest annual budget apportionments in each council unless they do not work jointly, in which case costs are charged directly to the respective council. Non salary costs have not been charged as part of the SSA as in the main they are clearly attributable to a sovereign council unless relating to staffing in which case the costs follow the same apportionment as the staff they relate to.

The Council has a 100% owned subsidiary, Wandsworth BC Trading Limited. However the turnover of the subsidiary is not sufficiently material to include in the Council's Group Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Judgements may be impacted by inflation and transactions that may have not been previously considered material may become material due to increased value.

There are a number of items in the Council’s Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year:

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

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls. A 1% increase in depreciation has an impact of £0.4m.

As at the valuation date, the after effects of the pandemic continue to affect economies and property markets globally, with property markets specifically experiencing lower levels of transactional activity and liquidity. Additionally, the rapid Bank Rate increases through 2022/23 to try and reduce high inflation, have also impacted the property market. The Council’s external valuers have used substantial transaction volumes and other reliable market evidence to provide reliable asset valuations.

The Council’s external valuer are not aware of any specific impact to the value of assets within the portfolio For the avoidance of doubt, the valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. Note 14 provides further information on Property, Plant and Equipment and Note 16 on Investment Property.

Provisions

At 31 March 2023, the Council had an insurance provision of £6.6m (£7.0m in 2021/22) based on claims lodged with, and values estimated by, the Council's insurer. The Council is responsible for funding claims up to high levels of excesses. In doing this, a provision is made for claims outstanding 31 March which are more likely than not to be settled. The Council takes the expert advice in the form of a regular insurance actuarial review of the self-insurance balance to ensure it is sufficient. The total balance at the end of 2022/23 is £14.8m.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one-year increase in life expectancy would result in an increase in the pension liability of £61m. However, the assumptions interact in complex ways.

For 2022/23, the Council's Actuary has a reported a change from a net pensions liability to a net asset (£125m liability to a £356m asset). The change is largely attributable to external factors, with the discount rate assumed for employers being higher than assumed in 2021/22. A higher discount rate results in a lower value being placed on the defined benefit obligation and an improvement in the overall position. The impact of changes in assumptions is detailed in note 44.

Arrears

At 31 March 2023, the Council had debtors for a range of Council functions. These debts are reviewed annually, and provisions made principally based on the type and age of debt and taking into consideration the current economic climate. A prudent approach has been taken in setting sums aside with these factors in mind and this year also includes different levels for different types of debt.

Note 5 - Material Items of Income and Expense

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2022/23 the following material items are not disclosed on the face of the CIES and therefore separately disclosed:

- HRA capital receipts totalling £26.9m were received in 2022/23 (£35.1m in 2020/21) including £15.7m Right to Buy receipts (£14.3m in 2021/22), of which none were required to be pooled to Government under amended statutory requirements (£2.6m in 2021/22).
- HRA capital grants and reimbursements totaling £35.7m were recognised in 2022/23 (£9.5m in 2021/22). This included amounts due from Winstanley and York Road Regeneration LLP (the Council's joint venture) to reimburse costs incurred through the HRA capital programme, and Greater London Authority Funding (GLA) grant funding to support the development of new council housing.
- From developments within the Nine Elms area the Council receives receipts from developers on an irregular basis which in part funded the Northern Line extension. In 2022/23 the Council received £25m in relation to a deed of agreement from Battersea Power Station (£105.7m in 2021/22) and made a payment to the GLA of £25m (£105.7m in 2021/22). Section 106 (S106) income from the Embassy Gardens site of £20m was

received in 2022/23 (£8m in 2021/22) and £8.2m from the Market Towers site was received in 2022/23 (Nil in 2021/22). A further £10.4m was received in CIL during the year from developers across the wider Nine Elms area (£15.2m in 2022/23).

- In 2022/23 the Council successfully bid for a £5m grant from the GLA Right to Buy Buyback Fund to support an acquisitions programme aimed at increasing the supply of affordable housing in the Borough. In total the Council purchased 51 properties at a total acquisition cost of £17.8m).

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director of Finance on 30 June 2023. Any material events occurring between the reporting period end (31 March 2023) and the authorised date of issue, both favourable and unfavourable should be reviewed. These events are either then adjusted or unadjusted in the Statement of Accounts.

There is one event after the Balance Sheet Date which is noted here for information. This has not been adjusted in the Statement of Accounts as is indicative of conditions that arose after the reporting period and is deemed not material in nature or amount to the Statement of Accounts as a whole.

The Council is part of a joint venture partnership operational from 22 June 2017 with Taylor Wimpey PLC to develop the York Road and Winstanley Estates. Both partners own 50% of the partnership and the principal activity of the partnership is that of property development. The joint venture is consolidated as part of the Council's Group Accounts.

The financial year end of the joint venture was 31 December with 2022 Accounts due to be filed with Companies House by 30 December 2023. As the audit of these Accounts had not been completed by that date the joint venture filed for a change (by one day) to the accounting reference date to allow a three-month extension. The revised date was then 30 December with a revised submission deadline for the 2022 audited Accounts of 29 March 2024. The audit of 2022 is now complete, and the audit opinion not modified. However, auditors of Winstanley and York Road, in forming their opinion, noted material uncertainty as to whether the joint venture was a going concern and is dependent on funding being received from both sides of the joint venture until the completion and sale of future units. At this time discussions around future funding remain ongoing, therefore if the joint venture's going concern status changed, the impact on the Council's Accounts is not deemed material and the Council would continue itself as a Going Concern. This is supported as per the following information.

As at 31 March 2024, in accordance with the legal agreements governing this development, the Council has put just over £38m of properties and land into the Joint Venture. Until the development phase reaches specific milestones the properties remain legally owned by the Council and will continue to be recognised as assets on the Council's Balance Sheet. The joint venture issued loan notes to the Council to cover the value of the land and properties. Until such time as the money is repaid, the Council would earn interest at 6% per annum which has been accrued in the Council's accounts. In addition, further land and property acquisitions valued at £17m have been purchased on behalf of the joint venture and invoiced, these properties remain owned by the Council. At present outstanding invoices total £10.4m which would not affect the Council's ability to continue as a Going Concern.

Note 7 - Expenditure and Funding Analysis

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

Restated 2021-22				**2022-23**		
Net Committee Expenditure	**Adjustments**	**Net CIES Expenditure**		**Net Committee Expenditure**	**Adjustments**	**Net CIES Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
83,682	23,145	106,827	Childrens	86,182	21,119	107,301
39,265	(1,816)	37,449	Environment	41,717	(2,228)	39,489
(7,469)	36,453	28,984	Finance	(8,942)	37,419	28,477
70,702	(12,881)	57,821	Health	85,498	(12,879)	72,619
10,453	9,015	19,468	Housing	16,680	1,714	18,394
0	(7,719)	(7,719)	Housing Revenue Account	0	(1,824)	(1,824)
(1,116)	(8,060)	(9,176)	Transport	(2,717)	(52,088)	(54,805)
195,517	**38,137**	**233,654**	**Net Cost of Services**	**218,418**	**(8,767)**	**209,651**
(196,219)	(94,498)	(290,717)	Other Income and Expenditure	(216,845)	(5,781)	(222,626)
(702)	**(56,361)**	**(57,063)**	**Surplus or Deficit on Provision of Services**	**1,573**	**(14,548)**	**(12,975)**
(453,394)			Opening Combined General Fund Balance	(481,943)		
(702)			Plus / less Surplus or Deficit on the General Fund	1,573		
(8,467)			Plus / less Surplus or Deficit on the Housing Revenue Account	(5,657)		
(19,380)			Plus / less movements to or from earmarked reserves	(53,713)		
(481,943)			**Total Combined General Fund Balance**	**(539,740)**		

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

2022-23	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Childrens	(1,577)	17,258	5,438	21,119
Environment	(286)	728	(2,670)	(2,228)
Finance	1,968	1,871	33,580	37,419
Health	275	3,280	(16,434)	(12,879)
Housing	0	1,169	545	1,714
Housing Revenue Account	21,280	4,044	(27,148)	(1,824)
Transport	364	1,510	(53,962)	(52,088)
Net Cost of Services	**22,024**	**29,860**	**(60,651)**	**(8,767)**
Other Income and Expenditure	0	(8,626)	2,845	(5,781)
Difference between the Statutory Charge and the Surplus or Deficit in the CIES	**22,024**	**21,234**	**(57,806)**	**(14,548)**

2021-22	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Childrens	1,938	21,175	32	23,145
Environment	(85)	891	(2,622)	(1,816)
Finance	(69)	15,137	21,385	36,453
Health	293	4,098	(17,272)	(12,881)
Housing	611	1,524	6,880	9,015
Housing Revenue Account	27,340	5,612	(40,671)	(7,719)
Transport	124	1,892	(10,076)	(8,060)
Net Cost of Services	**30,152**	**50,329**	**(42,344)**	**38,137**
Other Income and Expenditure	0	7,442	(101,940)	(94,498)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**30,152**	**57,771**	**(144,284)**	**(56,361)**

Note 8 - Expenditure and Income Analysed by Nature

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

2021-22 £000	Nature of Expenditure or Income	2022-23 £000
(276,674)	Fees, charges and other service income	(291,848)
(12,255)	Interest and investment income	(30,695)
(146,698)	Income from local taxation	(151,485)
(675,967)	Government grants and contributions	(632,442)
307,062	Employee benefits expenses	305,606
51,329	Support service recharge expenditure	46,359
642,361	Other service expenses	601,404
63,442	Depreciation, amortisation and impairment	60,461
8,542	Interest payments	796
4,885	Precepts and levies	4,956
2,595	Payments to Housing Capital Receipts Pool	0
(21,783)	Gain or loss on disposal of non-current assets	61,054
(3,902)	Movement in fair value of financial instruments	12,859
(57,063)	**Surplus or Deficit for Year**	**(12,975)**

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

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

2022-23	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Pension cost (transferred to (or from) the Pensions Reserve)	(18,137)	(3,097)				21,234
Changes in Fair Value of Pooled Investments	(12,859)					12,859
Council tax and NNDR (transfers to or from the Collection Fund)	12,098					(12,098)
Holiday pay (transferred to the Accumulated Absences reserve)	(2,512)	(381)				2,893
Transfer of Schools Budget deficit to DSG Unusable Reserve	(5,822)					5,822
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(71,882)	(18,364)			(66,620)	156,866
Total Adjustments to Revenue Resources	**(99,114)**	**(21,842)**	**0**	**0**	**(66,620)**	**187,576**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	663	18,568	(19,231)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(191)	191			0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		25,834		(25,834)		0
Borrowing or liabilities met from the Housing Revenue Account		30,509				(30,509)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	441					(441)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	310					(310)
Total Adjustments between Revenue and Capital Resources	**1,414**	**74,720**	**(19,040)**	**(25,834)**	**0**	**(31,260)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			30,557			(30,557)
Capital Receipts debited to the Capital Adjustment Account on Repayment of loans			(139)			139
Use of the Major Repairs Reserve to finance new capital expenditure				58,513		(58,513)
Application of capital grants to finance capital expenditure					61,313	(61,313)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**0**	**0**	**30,418**	**58,513**	**61,313**	**(150,244)**
Total Adjustments	**(97,700)**	**52,878**	**11,378**	**32,679**	**(5,307)**	**6,072**

2021-22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Pension cost (transferred to (or from) the Pensions Reserve)	(51,388)	(6,383)				57,771
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	3,902					(3,902)
Council Tax and NDR (transfers to or from the Collection Fund)	12,953					(12,953)
Holiday pay (transferred to the Accumulated Absences reserve)	383	213				(596)
Transfer of Schools Budget deficit to DSG Unusable Reserve	(4,601)					4,601
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	22,849	(49,415)			(74,865)	101,431
Total Adjustments to Revenue Resources	**(15,902)**	**(55,585)**	**0**	**0**	**(74,865)**	**146,352**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	15,241	28,168	(43,409)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(185)	185			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,595)		2,595			0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		24,611		(24,611)		0
Borrowing or liabilities met from the Housing Revenue Account		33,030				(33,030)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	429					(429)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,302					(1,302)
Total Adjustments between Revenue and Capital Resources	**14,377**	**85,624**	**(40,629)**	**(24,611)**	**0**	**(34,761)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			32,771			(32,771)
Capital Receipts on loan repayments debited to the capital adjustment account			(128)			128
Use of the Major Repairs Reserve to finance new capital expenditure				49,094		(49,094)
Application of capital grants to finance capital expenditure					36,913	(36,913)
Total Adjustments to Capital Resources	**0**	**0**	**32,643**	**49,094**	**36,913**	**(118,650)**
Total Adjustments	**(1,525)**	**30,039**	**(7,986)**	**24,483**	**(37,952)**	**(7,059)**

Note 10 - Other Operating Expenditure

2021-22 £000		2022-23 £000
4,885	Levies	4,956
2,595	Payments to the Government Housing Capital Receipts Pool	0
(21,783)	Gains/losses on the Disposal of Non-Current Assets	61,054
(14,303)	**Total Other Operating Expenditure**	**66,010**

Note 11 - Financing and Investment Income and Expenditure

2021-22 £000		2022-23 £000
1,100	Interest payable and similar charges	796
7,442	Net interest on the net defined benefit liability (asset)	(8,626)
(6,706)	Interest receivable and similar income	(19,521)
(3,598)	Income and expenditure in relation to investment properties and changes in their fair value	(2,473)
(3,902)	Movement in fair value of financial instruments	12,859
(1,951)	Other (Trading Accounts)	(75)
(7,615)	**Total**	**(17,040)**

Note 12 - Taxation and Non-Specific Grant Income

2021-22 £000		2022-23 £000
(67,147)	Council tax income	(67,832)
(79,552)	Non-domestic rates income and expenditure	(83,653)
(54,886)	Non-ringfenced government grants and contributions	(61,365)
(67,214)	Capital grants and contributions	(58,746)
(268,799)	**Total**	**(271,596)**

Note 13 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23.

	Balance at 1 April 2021 £000	Transfers In 2021-22 £000	Transfers Out 2021-22 £000	Balance at 31 March 2022 £000	Transfers In 2022-23 £000	Transfers Out 2022-23 £000	Balance at 31 March 2023 £000
General Fund Reserves:							
Financial Resilience Reserve	(81,052)	(19,830)	0	**(100,882)**	(3,463)	7,299	**(97,046)**
Pensions Resilience Reserve	(43,424)	0	0	**(43,424)**	0	0	**(43,424)**
Renewals Fund	(26,406)	(564)	257	**(26,713)**	(665)	495	**(26,883)**
Service Transformation Reserve	(11,683)	0	0	**(11,683)**	(99)	731	**(11,051)**
DSOs Reserve	(6,220)	(1,570)	313	**(7,477)**	(984)	708	**(7,753)**
Refugee and Homelessness Reserve	0	0	0	**0**	(7,374)	0	**(7,374)**
Cost of Living Reserve	0	0	0	**0**	(10,000)	1,600	**(8,400)**
Covid-19 Support Grant Reserve	(3,725)	(2,536)	498	**(5,763)**	0	5,763	**0**
Finite Services Fund	(1,410)	0	0	**(1,410)**	0	0	**(1,410)**
Specific Grant Reserve	(1,000)	0	0	**(1,000)**	0	0	**(1,000)**
Other	(218)	(2,724)	1,878	**(1,064)**	(739)	1,171	**(632)**
Subtotal	**(175,138)**	**(27,224)**	**2,946**	**(199,416)**	**(23,324)**	**17,767**	**(204,973)**
Insurance Reserve	(7,053)	(1,568)	0	**(8,621)**	(394)	793	**(8,222)**
IFRS9 Investment Volatility Reserve	0	0	0	**0**	(1,500)	0	**(1,500)**
Education Balances	(13,931)	(19,855)	17,647	**(16,139)**	(15,485)	15,334	**(16,290)**
Collection Fund Volatility Reserve	(32,568)	(12,968)	23,483	**(22,053)**	(7,175)	13,698	**(15,530)**
S106 Revenue Reserves	(69,853)	(3,215)	1,374	**(71,694)**	(55,565)	2,138	**(125,121)**
Total General Fund	**(298,543)**	**(64,830)**	**45,450**	**(317,923)**	**(103,443)**	**49,730**	**(371,636)**

Note 14 - Property, Plant and Equipment

Movements to 31 March 2023	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
at 1 April 2022	1,520,032	1,141,161	29,309	21,154	32,072	**2,743,728**
Additions	111,967	8,808	2,027	227	7,535	**130,564**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	73,062	23,707	0	0	0	**96,769**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(28,306)	939	0	0	0	**(27,367)**
Derecognition – disposals	(8,255)	(71,996)	0	0	0	**(80,251)**
Reclassifications and transfer	0	0	0	0	0	**0**
at 31 March 2023	**1,668,500**	**1,102,619**	**31,336**	**21,381**	**39,607**	**2,863,443**
Accumulated Depreciation and Impairment						
at 1 April 2022	(2)	(2,936)	(20,335)	0	0	**(23,273)**
Depreciation charge	(24,511)	(9,324)	(1,052)	0	0	**(34,887)**
Depreciation written out to the Revaluation Reserve	14,540	8,937	0	0	0	**23,477**
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,972	989	0	0	0	**10,961**
Derecognition – disposals	0	157	0	0	0	**157**
at 31 March 2023	**(1)**	**(2,177)**	**(21,387)**	**0**	**0**	**(23,565)**
Net Book Value at 31 March 2023	**1,668,499**	**1,100,442**	**9,949**	**21,381**	**39,607**	**2,839,878**

Movements to 31 March 2022	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
at 1 April 2021	1,478,713	1,134,774	26,335	20,870	22,759	**2,683,451**
Additions	79,717	4,832	2,974	284	3,060	**90,867**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,953	21,342	0	0	0	**23,295**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(34,002)	1,562	0	0	0	**(32,440)**
Derecognition – disposals	(6,349)	(15,096)	0	0	0	**(21,445)**
Reclassifications and transfer	0	(6,253)	0	0	6,253	**0**
at 31 March 2022	**1,520,032**	**1,141,161**	**29,309**	**21,154**	**32,072**	**2,743,728**
Accumulated Depreciation and Impairment						
at 1 April 2021	(6)	(2,092)	(19,691)	0	0	**(21,789)**
Depreciation charge	(23,309)	(8,754)	(644)	0	0	**(32,707)**
Depreciation written out to the Revaluation Reserve	14,026	6,873	0	0	0	**20,899**
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,282	1,037	0	0	0	**10,319**
Derecognition – disposals	5	0	0	0	0	**5**
at 31 March 2022	**(2)**	**(2,936)**	**(20,335)**	**0**	**0**	**(23,273)**
Net Book Value at 31 March 2022	**1,520,030**	**1,138,225**	**8,974**	**21,154**	**32,072**	**2,720,455**
Net Book Value at 31 March 2021	**1,478,707**	**1,132,682**	**6,644**	**20,870**	**22,759**	**2,661,662**

Capital Commitments

At 31 March 2023, the Council had entered into a number of on-going contracts for the construction or enhancement of property, plant and equipment. The table below shows the details of outstanding contractual commitments over £0.5m.

2021-22 £000	Capital Scheme	2022-23 £000
11,368	Northcote Library Site Development	4,611
0	Balham East & West, Aldrington & Edgecombe Hall Estate	4,249
0	Randall Close Site Development	3,016
0	Arndale Estate Kitchens and Bathrooms Phase 11	2,813
0	Wandsworth Bridge Corrosion Protection	2,350
0	Tooting Bec Lido	2,290
0	Southmead Estate Roof & Decs Phase 2	1,067
0	Felsham Rd Roof renewal	1,052
0	Granard High Needs Phase 2	1,051
0	Primary School - Nine Elms	787
0	Fairfield Court Roof & Window Renewal	732
0	Fairfield Drive Window Renewals	684
0	Wandsworth Town Library Fit Out (Fairfield)	655
0	Beacon Libraries Scheme - Putney Library	644
0	Wandsworth M & E decarbonisation	595
21,049	Patmore Street Site Development	354
11,064	Kersfield Estate Site Development	139
4,889	Whitlock Drive Garages Development	125
2,513	Fordyce House Garages Development	60
7,185	Fontley Way Site Development	39
7,854	Boroughwide Kitchens and Bathrooms	0
4,822	Latchmere Estate - Window renewal	0
4,281	St Cecilia's School Expansion	0
3,969	Sheltered Properties Sprinkler Installation	0
2,095	Gideon Road Site Development	0
1,704	Carey Gardens - Roof Renewals	0
1,528	Chestnut Grove School Expansion	0
1,239	Castlemaine Tower - Communal heating system	0
1,210	William Willison Estate - Window Renewal	0
956	Lennox Estate - Roof Renewals	0
944	Sheltered - Communal heating system	0
928	Arndale Estate - Phase 1 Lifting	0
896	Boroughwide Installation of lift monitoring equipment	0
640	Atheldene Road Site Development	0
607	Hollies Way - Cladding Replacement	0
568	Alton Estate - Heating systems upgrade	0
92,309		**27,313**

Effects of Changes in Estimates

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

Revaluations

The Council has historically carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In addition, the Council reviews groups of properties on an annual basis to assess any significant changes that would require a revaluation within the five year period. Fair value as applied to relevant assets will depend upon the property market. Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls. A 1% increase in depreciation has an impact of £0.4m.

As at the valuation date, the after-effects of the pandemic continue to affect economies and property markets globally, with property markets specifically experiencing lower levels of transactional activity and liquidity. Additionally, the rapid Bank Rate increases through 2022/23 to try and reduce high inflation, have also impacted the property market. The Council's external valuers have used substantial transaction volumes and other reliable market evidence to provide reliable asset valuations.

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

Valuations of land and buildings were carried out by our external valuers with an effective valuation date of 31 March 2023 in accordance with the methodologies and basis of estimation set out in the professional standards of RICS.

Note 15 – Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2021-22		**2022-23**
£000		**£000**
98,987	At 1 April	106,646
16,270	Additions	12,516
(8,613)	Depreciation	(9,167)
106,646	**at 31 March**	**109,995**

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

2021-22 £000		2022-23 £000
106,646	Infrastructure Assets	109,995
2,720,455	Other Property, Plant and Equipment	2,839,878
2,827,101	**at 31 March**	**2,949,873**

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

Note 16 - Heritage Assets

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

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

Various items have mainly been presented to the Council by well wishers or external bodies. Items have rarely been purchased, and there are no records of any disposals. The assets are stored either in the vault or in the Mayor’s parlour.

The insurance listing constitutes a register of the assets and the assets are measured at valuation and are not subject to depreciation. The valuations are at retail replacement value for insurance purposes as at 7 March 2019. They were carried out by JEMS, a firm of independent specialist appraisers and international jewellery consultants. There has been no movement in the carrying amount of the heritage assets since the valuations.

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

Note 17 - Investment Properties

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

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

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

31 March 2022 Non-Current £000	Investment Properties Movements in Year	31 March 2023 Non-Current £000
73,793	Opening Balance	72,928
2	Acquisitions	3
0	Disposals	0
(867)	Net gains/losses from fair value adjustments	(2,820)
0	Transfers to / from Property Plant & Equipment	0
72,928	**Balance at the end of the year**	**70,111**

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

Note 18 - Intangible Assets

The gross and net book values of intangible assets was nil at 31 March 2023 (also nil at 31 March 2022).

Note 19 - Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

	Consumable Stores		Work in Progress		Total	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	733	723	787	3,817	1,520	4,540
Purchases	3,105	3,314	3,317	2,802	6,422	6,116
Recognised as an expense in the year	(3,115)	(3,233)	(287)	(2,992)	(3,402)	(6,225)
Balance Outstanding at Year End	**723**	**804**	**3,817**	**3,627**	**4,540**	**4,431**

Note 20 - Financial Instruments

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

All investments held by the Council are classified as Level 1 or Level 2 investments as defined in Accounting Policy 1.10.

Non-Current Financial Assets

	Investments		Debtors		Total
	31 Mar 22	31 Mar 23	31 Mar 22	31 Mar 23	31 Mar 23
	£000	£000	£000	£000	£000
Fair value through profit and loss	79,042	100,438	0	0	**100,438**
Amortised Cost	0	0	38,707	38,644	**38,644**
Total financial assets	**79,042**	**100,438**	**38,707**	**38,644**	**139,082**

Current Financial Assets

	Investments		Debtors		Total
	31 Mar 22	31 Mar 23	31 Mar 22	31 Mar 23	31 Mar 23
	£000	£000	£000	£000	£000
Amortised cost	494,125	561,746	85,372	64,996	**626,742**
Total financial assets	**494,125**	**561,746**	**85,372**	**64,996**	**626,742**

Non-Current Financial Liabilities

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

Current Financial Liabilities

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

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

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

Note 21 - Debtors

31 March 2022 £000		31 March 2023 £000
84,966	Trade Receivables	52,755
4,680	Prepayments	5,265
15,278	Housing Benefits	12,871
13,311	Other Local Authorities	12,710
10,997	Other Entities and Individuals	16,741
5,842	NHS Bodies	6,281
22,996	Central Government Bodies	18,625
158,070	**Total**	**125,248**

Note 22 - Debtors for Local Taxation

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

31 March 2022 £000		31 March 2023 £000
220	Less than three months	164
659	Three to six months	492
1,318	Six months to one year	984
5,134	More than one year	4,556
7,331	**Total**	**6,196**

Note 23 - Cash and Cash Equivalents

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

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

Note 24 - Assets Held for Sale

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

Note 25 – Creditors

31 March 2022 £000		31 March 2023 £000
(24,447)	Trade payables	(22,381)
(85,238)	Central Government Bodies	(40,967)
(13,874)	Other Local Authorities	(31,298)
(1,116)	NHS Bodies	(1,118)
(56,575)	Other Entities and Individuals	(60,257)
(181,250)	**Total Creditors**	**(156,021)**

Note 26 – Provisions

Current Provisions

2022-23	**Central Insurance Fund £000**	**Tree Root Claims £000**	**Business Rates Appeals £000**	**Other Provisions £000**	**Total £000**
Opening balance	(3,044)	(319)	(3,110)	0	(6,473)
Increase in provision during year	(3,524)	(22)	(3,411)	0	(6,957)
Utilised during year	3,506	0	2,273	0	5,779
Unused amounts reversed	0	0	0	0	0
Closing Balance	**(3,062)**	**(341)**	**(4,248)**	**0**	**(7,651)**

2021-22	**Central Insurance Fund £000**	**Tree Root Claims £000**	**Business Rates Appeals £000**	**Other Provisions £000**	**Total £000**
Opening balance	(2,632)	(312)	(3,188)	0	(6,132)
Increase in provision during year	(4,578)	(7)	(482)	0	(5,067)
Utilised during year	4,118	0	560	0	4,678
Unused amounts reversed	48	0	0	0	48
Closing Balance	**(3,044)**	**(319)**	**(3,110)**	**0**	**(6,473)**

Long Term Provisions

2022-23	**Central Insurance Fund £000**	**Tree Root Claims £000**	**Other Provisions £000**	**Total £000**
Opening balance	(3,922)	(2,871)	(81)	(6,874)
Increase in provision during year	0	(198)	0	(198)
Unused amounts reversed	386	0	0	386
Closing Balance	**(3,536)**	**(3,069)**	**(81)**	**(6,686)**

2021-22	**Central Insurance Fund £000**	**Tree Root Claims £000**	**Other Provisions £000**	**Total £000**

Opening balance	(7,042)	(2,808)	(81)	(9,931)
Change in Provision during the year	3,120	(63)	0	3,057
Closing Balance	**(3,922)**	**(2,871)**	**(81)**	**(6,874)**

Notes to the Provisions

The Council does not have external insurance for all potential risks and accordingly has stablished an insurance provision mainly to meet liability claims currently up to £531,108 of each loss. The provision is mainly based on advice from the Council's insurer. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.

The Council provides for claims resulting from damage caused by Council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.

A provision is made each year for backdated Business Rate appeals and to cover its potential loss from future Valuation Office Agency (VOA) decisions. The amount set aside as at 31 March 2023 is £4.2m (£3.1m at 31 March 2022).

2021-22	**Total Provisions**	**2022-23**
£000		**£000**
(16,063)	Opening balance	(13,347)
(2,010)	Increase in provision during year	(7,155)
4,678	Utilised during year	5,779
48	Unused amounts reversed	386
(13,347)	**Closing Balance**	**(14,337)**

Note 27 - Usable Reserves

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

Capital Receipts Reserve

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

31 March 2022 £000		31 March 2023 £000
(23,404)	Balance 1 April	(31,391)
(43,409)	Capital Receipts in year	(19,231)
2,595	Capital Receipts Pooled	0
185	Transfer to revenue reserves for disposals	191
(129)	Capital receipts on loan repayments	(139)
32,771	Capital Receipts used for financing	30,557
(31,391)	**Balance 31 March**	**(20,013)**

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at 31 March 2023.

Major Repairs Reserve

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

Capital Grants Reserve

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

31 March 2022 £000		31 March 2023 £000
(142,033)	Balance 1 April	(179,985)
(74,865)	Capital grants recognised in year	(66,620)
36,913	Capital grants and contributions applied	61,313
(179,985)	**Balance 31 March**	**(185,292)**

Note 28 - Unusable Reserves

31 March 2022 £000		31 March 2023 £000
(1,079,546)	Revaluation Reserve	(1,132,538)
(1,636,656)	Capital Adjustment Account	(1,728,549)
125,271	Pension Reserve	(356,219)
(4)	Deferred Capital Receipts Reserve	(4)
11,345	Collection Fund Adjustment Account	(754)
4,628	Accumulated Absences Account	7,521
(4,456)	Pooled Investment Funds Adjustment Account	8,404
4,601	DSG Unusable Reserve	10,423
(2,574,817)	**Total**	**(3,191,716)**

Revaluation Reserve

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

31 March 2022 £000		31 March 2023 £000
(1,056,734)	Balance 1 April	(1,079,546)
(71,918)	Upward revaluation of assets	(137,551)
27,724	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	17,304
(44,194)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(120,247)**
8,842	Difference between fair value depreciation and historical cost depreciation	9,520
12,540	Accumulated gains on assets sold or scrapped	57,735
21,382	**Amount written off to the Capital Adjustment Account**	**67,255**
(1,079,546)	**Balance 31 March**	**(1,132,538)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or additions to those assets under statutory provisions.

31 March 2022 £000		31 March 2023 £000
(1,563,296)	Balance 1 April	(1,636,656)
41,320	Charges for depreciation and impairment of non-current assets	44,054
22,122	Revaluation losses on non-current assets	16,406
0	Amortisation of intangible assets	0
15,682	Revenue expenditure funded from capital under statute	13,492
21,440	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	80,095
100,564	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	154,047
(21,382)	Adjusting Amounts written out of the Revaluation Reserve	(67,255)
79,182	**Net written out amount of the cost of non-current assets consumed in the year**	86,792
(32,771)	Use of Capital Receipts Reserve to finance new capital expenditure	(30,557)
(36,913)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(61,313)
(49,094)	Use of Major Repairs Reserve to finance new capital expenditure	(58,514)
(429)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(441)
(1,302)	Capital expenditure charged against the General Fund and HRA balances	(310)
(120,509)	**Capital financing applied in year:**	(151,135)
(33,030)	Borrowing or liabilities met from the HRA	(30,509)
867	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,820
130	Capital Receipts debited to the Capital Adjustment Account on Repayment of loans	139
(1,636,656)	**Balance 31 March**	**(1,728,549)**

Pensions Reserve

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

31 March 2022 £000		31 March 2023 £000
352,995	**Opening Balance**	125,271
(285,495)	Remeasurements of the net defined benefit (liability)/asset	(502,724)
82,556	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	47,873
(24,785)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,639)
125,271	**Balance 31 March**	**(356,219)**

Deferred Capital Receipts Reserve

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

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

Collection Fund Adjustment Account

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

31 March 2022 £000		**31 March 2023 £000**
24,298	Balance 1 April	11,345
(12,953)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(12,099)
11,345	**Balance 31 March**	**(754)**

Accumulated Absences Account

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

31 March 2022 £000		**31 March 2023 £000**
5,225	**Balance 1 April**	4,628
(5,225)	Settlement or cancellation of accrual made at the end of the preceding year	(4,628)
4,628	Amounts accrued at the end of the current year	7,521
(597)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	2,893
4,628	**Balance 31 March**	**7,521**

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains or losses made by the authority arising from increases in the value of its Pooled Investments that are measured at fair value through the CIES.

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

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds accumulated deficits relating to the schools' budget. Where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 to 1 April 2022, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

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

Note 29 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

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

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

31 March 2022 £000		31 March 2023 £000
(41,320)	Depreciation	(44,054)
(22,122)	Impairment and downward valuations	(16,406)
0	Amortisation	0
(16,616)	(Increase)/decrease in creditors	55,198
(19,551)	Increase/(decrease) in debtors	2,235
3,020	Increase/(decrease) in inventories	(108)
(57,771)	Movement in pension liability	(21,234)
(21,440)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(80,095)
5,797	Other non-cash movements charged to the surplus or deficit on provision of services	(17,413)
(170,004)	**Total**	**(121,877)**

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

31 March 2022 £000		31 March 2023 £000
43,409	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,231
74,864	Any other items for which the cash effects are investing or financing cash flows	66,620
118,273	**Total**	**85,851**

Note 30 - Cash Flow from Investing Activities

31 March 2022 £000		31 March 2023 £000
106,340	Purchase of property, plant and equipment, investment property and intangible assets	142,245
634,300	Purchase of short-term and long-term investments	1,006,200
4,527	Other payments for investing activities	449
(43,454)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(19,231)
(537,500)	Proceeds from short-term and long-term investments	(913,000)
(62,091)	Other receipts from investing activities	(63,102)
102,122	**Net cash flows from investing activities**	**153,561**

Note 31 - Cash Flow from Financing Activities

31 March 2022 £000		31 March 2023 £000
(200)	Cash receipts of short-term and long-term borrowing	(400)
17,643	Repayments of short-term and long-term borrowing	17,700
(28,318)	Other payments for financing activities	(32,933)
(10,875)	**Net cash flows from financing activities**	**(15,633)**

Note 32 – Reconciliation of Liabilities from Financing Activities

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

Note 33 - Agency Services

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

The most material grants awarded to the Council deemed to be agency relationships are detailed below:

The Council Tax Rebate funded by the Department of Levelling Up, Housing and Communities (DLUHC) was in recognition of the support needed by many households in response to the rising cost of household bills, driven by the increasing cost of energy. A one off payment of £150 was awarded to eligible households, whose homes were in Council Tax bands A to D, to offer assistance to these rising costs. The grant received and paid out in 2022/23 totalled £13m.

Various other Covid-19 grants have ended and therefore are not included in 2022/23.

Note 34 - Pooled Budgets

The Council has two pooled budget agreements under S75 of the NHS Act 2006 as at 31 March 2023. These are:

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

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

2021-22	**Better Care Fund**	**2022-23**
£000		**£000**
(24,685)	Authority Funding	(25,649)
(15,971)	Partner Funding	(16,875)
(40,656)	Total Pooled Funding	(42,524)
24,685	Authority Expenditure	25,649
15,971	Partner Expenditure	16,875
40,656	Expenditure	42,524
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Joint Integrated Community Equipment Service with St George's University Hospitals Foundation Trust (St George's) and Central London Community Healthcare (CLCH)

This scheme was established on 1 April 2005 to create an integrated service for the provision of community based equipment for people with disabilities. Following a reorganisation of health provision in October 2017 the scheme expanded to include CLCH as well as Wandsworth Council and St George's. The net surplus of £0.3m (unchanged from 2021/22) is attributable to the Council. The Council wrote back its surplus to the General Fund and all expenditure incurred by St George's and CLCH was recovered in full.

2021-22	**Joint Integrated Community Equipment Service**	**2022-23**
£000		**£000**
(954)	Authority Funding	(685)
(2,214)	Partner Funding	(1,605)
(3,168)	Total Pooled Funding	(2,290)
667	Authority Expenditure	407
2,214	Partner Expenditure	1,605
2,881	Expenditure	2,012
(287)	**Net Surplus/Deficit on the Pooled Budget**	**(278)**
(287)	**Authority Share of the Net Surplus / Deficit**	**(278)**

Note 35 - Members' Allowances

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

2021-22 £000		2022-23 £000
1,076	Allowances	1,022
1,076	**Total Members' Allowances**	**1,022**

Note 36 - Officers' Remuneration

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

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

2021-22	Notes	Salary & Other Payments £	Employers Pension Contribution £	Total £
Chief Executive – M. Maidment	*2*	157,291	28,312	**185,603**
Director of Children's Services - A. Popovici	*3*	193,716	34,853	**228,569**
Assistant Director of Children's Services - P. Angeli	*3*	107,458	0	**107,458**
Director of Housing & Regeneration - B. Reilly	*4*	142,511	25,652	**168,163**
Director of Environment & Community Services - P. Chadwick	*5*	118,123	21,262	**139,385**
Director of Adult Social Care & Public Health - E. Bruce	*6*	107,634	0	**107,634**
Deputy Director of Environment & Community Services - K. Power	*7*	113,266	20,388	**133,654**
Assistant Chief Executive (Policy and Performance)	*8*	92,652	16,677	**109,330**
Director of Resources - F. Merry	*9*	109,535	19,716	**129,252**
		1,142,186	**166,860**	**1,309,046**

Notes to show Senior Officers' full SSA remuneration including salary and pension contributions are as follows:
Note 1 – The current Chief Executive's total remuneration across the SSA in 2022/23 was £119,150.

Note 2 – The outgoing Chief Executive's total remuneration across the SSA in 2022/23 was £149,953 and the employers pension contributions were £26,992.

Note 3 – The Director of Housing and Regeneration's total remuneration across the SSA in 2022/23 was £230,307 and the employer's pension contributions were £41,455.

Note 4 – The Director of Environment and Community Services' total remuneration across the SSA in 2022/23 was £198,328 and the employer's pension contributions were £32,760.

Note 5 – The Deputy Director of Environment and Community Services' total remuneration across the SSA in 2022/23 was £181,998 and the employer's pension contributions were £32,760.

Note 6 – The Director of Finance's (formerly Director of Resources) total remuneration across the SSA in 2022/23 was £179,464 and the employer's pension contributions were £32,304.

Note 7 - The Director of Adult Social Care and Public Health's total remuneration across the SSA in 2022/23 was £153,285 and the employer pension contributions were £27,591.

Note 8 - The Assistant Chief Executive (Policy and Performance)'s total remuneration across the SSA in 2022/23 was £151,227 and the employer pension contributions were £27,221.

Note 9 – The Assistant Director – Commissioning and Quality Standards' total remuneration across the SSA in 2022/23 was £153,090.

Note 10 – Assistant Chief Executive (Corporate Services) total remuneration across the SSA in 2022/23 was £148,839 and the employer pension contributions were £26,791.

Note 11 - The Director of Children's Services' total remuneration in 2022/23 was £201,508 and the employer's pension contributions were £36,255. The Director of Children's Services is charged 100% to Wandsworth.

Note 12 – The Deputy Director of Children's Services' total remuneration , including severance pay in 2022/23, was £153,089 and the employer's pension contributions were £27,556. The Deputy Director of Children's Services is charged 100% to Wandsworth.

Officers reporting to the Chief Executive but under £150,000 are not disclosed by name.

Officers Remuneration Banding

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

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

2021-22				2022-23		
Number of Employees				Number of Employees		
School Staff	Other Staff	Total		School Staff	Other Staff	Total
126	119	**245**	£50,001 to £55,000	119	159	**278**
49	73	**122**	£55,001 to £60,000	81	97	**178**
34	37	**71**	£60,001 to £65,000	27	39	**66**
20	24	**44**	£65,001 to £70,000	28	38	**66**
10	12	**22**	£70,001 to £75,000	11	17	**28**
14	15	**29**	£75,001 to £80,000	15	18	**33**
15	7	**22**	£80,001 to £85,000	10	10	**20**
6	14	**20**	£85,001 to £90,000	9	7	**16**
4	8	**12**	£90,001 to £95,000	7	15	**22**
3	4	**7**	£95,001 to £100,000	4	9	**13**
4	0	**4**	£100,001 to £105,000	6	2	**8**
3	4	**7**	£105,001 to £110,000	2	3	**5**
2	2	**4**	£110,001 to £115,000	0	2	**2**
1	1	**2**	£115,001 to £120,000	0	2	**2**
0	0	**0**	£120,001 to £125,000	2	1	**3**
0	1	**1**	£125,001 to £130,000	0	0	**0**
0	1	**1**	£135,001 to £140,000	0	0	**0**
0	2	**2**	£140,001 to £145,000	0	3	**3**
0	1	**1**	£145,001 to £150,000	0	1	**1**
0	1	**1**	£150,001 to £155,000	0	2	**2**
0	1	**1**	£155,001 to £160,000	0	0	**0**
0	0	**0**	£160,001 to £165,000	0	0	**0**
0	0	**0**	£165,001 to £170,000	0	0	**0**
0	0	**0**	£175,001 to £180,000	0	0	**0**
0	0	**0**	£180,001 to £185,000	0	0	**0**
0	0	**0**	£185,001 to £190,000	0	0	**0**
0	1	**1**	£190,001 to £195,000	0	0	**0**
0	0	**0**	£195,001 to £200,000	0	0	**0**
0	0	**0**	£200,001 to £205,000	0	1	**1**
0	0	**0**	£235,001 to £240,000	0	0	**0**
291	**328**	**619**	**Total**	**321**	**426**	**747**

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
£0-£20,000	22	8	27	8	49	16	470,227	121,913
£20,001 - £40,000	6	0	7	1	13	1	349,139	38,149
£40,001 - £60,000	1	4	2	0	3	4	141,659	215,048
£60,001 - £80,000	1	4	0	1	1	5	64,070	358,896
£80,001 - £100,000	2	2	0	0	2	2	179,987	188,912
100,001 - £150,000	0	2	0	0	0	2	0	230,188
Total	**32**	**20**	**36**	**10**	**68**	**30**	**1,205,082**	**1,153,106**
Add: Amounts provided for in CIES not included in bandings							(62,658)	37,156
Total cost included in CIES							**1,142,425**	**1,190,262**

The Council terminated the contracts of a number of employees in 2022/23, incurring liabilities of £1.153m (£1.205m in 2021/22).

The total cost of £1.190m for 2022/23 (£1.142m in 2021/22) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year.

Note 37 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors.

2021-22 £000		2022-23 £000
87	Fees payable to external auditors for the current year scale fee	112
37	Fees payable to external auditors for previous years additional fee	0
21	Fees payable in respect of other services provided by external auditors	23
145	**Total**	**135**

The Council’s auditors Ernst & Young LLP have submitted requests to Public Sector Audit Appointments for authority to increase the additional fees charged for 2019/20 onwards. Only additional fees for 2019/20 have been agreed and are included in the 2021/22 column (as the year paid). For 2022/23 the PSAA has agreed increases to council’s scale fees nationally, for recurring approved fee variations which are consolidated into new scale fees.

Note 38 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant income provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools

Budget as defined in the Schools Finance and Early Years (England) (No 2) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are:

DSG Receivable for 2022-23	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for year before Academies recoupment			(260,579)
Academy figure recouped for year			91,134
Total DSG after academy recoupment			**(169,445)**
Plus: Brought forward from previous year			0
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	**(55,477)**	**(113,968)**	**(169,445)**
In Year Adjustments	447	0	447
Final budget distribution for year	**(55,030)**	**(113,968)**	**(168,998)**
Less: Actual central expenditure	60,799		60,799
Less: Actual ISB deployed to schools		114,021	114,021
Carry forward to 2023-24	**5,769**	**53**	**5,822**
Plus: Carry forward to 2023-24 (pre-agreed)			0
Total DSG Carried Forward to 2023-24			**5,822**
Opening DSG Unusable Reserve Balance			4,601
Addition to DSG Unusable Reserve at the end of 2022-23			5,822
Net DSG Position at the end of 2022-23			**10,423**

DSG Receivable for 2021-22	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for year before Academies recoupment			(253,443)
Academy figure recouped for year			88,080
Total DSG after academy recoupment			**(165,363)**
Plus: Brought forward from previous year			(9)
Less: Carry forward to following year (pre-agreed)			0
Initial budget distribution for year	**(47,832)**	**(117,540)**	**(165,372)**
In Year Adjustments	0	547	547
Final budget distribution for year	**(47,832)**	**(116,994)**	**(164,827)**
Less: Actual central expenditure	51,340		51,340
Less: Actual ISB deployed to schools		118,086	118,086
Carry forward to 2023-34	**3,508**	**1,093**	**4,601**
Plus: Carry forward to 2023-24 (pre-agreed)			0
Total DSG Carried Forward to 2023-24			**4,601**
Opening DSG Unusable Reserve Balance			0
Addition to DSG Unusable Reserve at the end of 2022-23			4,601
Net DSG Position at the end of 2022-23			**4,601**

Note 39 - Grant Income

Grants and contributions charged to Taxation and Non Specific Grant income

31 March 2022 £000		31 March 2023 £000
(54,886)	Non-specific revenue grants	(61,365)
(57,790)	Capital grants and contributions - General Fund	(23,081)
(9,424)	Capital grants and contributions - Housing Revenue Account	(35,665)
(122,100)	**Total**	**(120,111)**

Grants and contributions charged to Net Cost of Services

31 March 2022 £000		31 March 2023 £000
(164,718)	Dedicated Schools Grant	(168,976)
(75,718)	Rent Allowance Subsidy	(69,167)
(110,680)	Section 106 Contributions	(84,782)
(49,826)	Rent Rebate Subsidy	(45,725)
(28,608)	Public Health Grant	(29,412)
(17,700)	Non-HRA Rent Rebate Subsidy	(20,446)
(16,486)	Improved Better Care	(16,985)
(8,199)	Better Care Fund	(8,663)
(5,902)	Pupil Premium Grant	(6,299)
(6,212)	Health Authority Contributions	(5,880)
(5,407)	Homelessness Prevention Grant	(5,191)
(4,044)	Leaseholder Reimbursements	(4,286)
(2,069)	Household Support Grant	(4,139)
(2,295)	Sixth Form Funding	(2,572)
(2,295)	Asylum Seekers Grant	(2,494)
0	School Supplementary Grant	(2,446)
(1,525)	Supporting Families Grant	(2,056)
(1,358)	Adult Education Funding	(1,991)
(7,452)	Covid-19 Test and Trace Contain Outbreak Management Fund	(1,837)
(1,596)	Disabled Facilities Grant	(1,829)
(1,884)	Universal Infant Free School Meals Grant	(1,748)
(1,418)	Rough Sleeping Initiative	(1,423)
(1,231)	Housing Benefit Admin Subsidy	(1,230)
0	Council Tax Rebate (Discretionary)	(1,205)
0	Adult Social Care Discharge Fund	(1,081)
(1,013)	Transport for London	(941)
(5,699)	Covid-19 Additional Funding	(672)
(10,097)	Covid-19 LRSG Additional Restrictions Grant	29
(1,826)	Covid -19 Sales, Fees and Charges Support Grant	0
(14,794)	Other Government Grants and Contributions under £1m	(16,478)
(3,816)	Non-Government Grants & Contributions under £1m	(2,406)
(553,868)	**Total**	**(512,331)**

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2022 £000		31 March 2023 £000
(905)	Section 106 Contributions	(905)
0	Energy Bills Support Scheme Alternative Funding	(1,249)
(2,633)	Covid-19 Test and Trace Contain Outbreak Management Fund	(924)
(1,239)	Family Safeguard	(865)
0	Homes for Ukraine Education Grant	(591)
(453)	Syrian Families Scheme	(505)
(1,510)	Supporting Families Grant	(371)
(14,582)	Council Tax Rebate	0
(7,312)	Covid 19 Additional Relief Fund	0
(2,046)	Other Grants	(2,299)
(30,680)	**Total**	**(7,709)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2022 £000		31 March 2023 £000
(218)	Section 106 Contributions	(217)
(218)	**Total**	**(217)**

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

31 March 2022 £000		31 March 2023 £000
0	Section 106 Contributions	0
(1,618)	Free Schools	(1,618)
(4,054)	Council Homes for London	0
(2,086)	Other	(3,249)
(7,758)	**Total**	**(4,867)**

Note 40 - Related Parties

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

<u>Central Government</u>

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant part of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills and Housing Benefits). Grants receipts outstanding at 31 March 2023 are show in Note 39.

North East Surrey Crematorium Board (NESCB)

The Board currently is composed of 10 councillors and 2 substitute councillors from three London Borough councils: Merton, Sutton, and Wandsworth. Councillors A. Critchard, R. Birchall, R. Osborn, T. Belton and A. Graham were appointed by the Council. Mr M. Davies (Financial Controller) is Treasurer to the Board. Mr P. Guilliotti (Director of Financial Services) is Auditor to the Board.

The Board had regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf. At 31st March 2023 the Council had a £0.7m 7-day notice loan outstanding from the Board.

Western Riverside Waste Authority (WRWA)

The Authority is composed of 8 members from 4 London Boroughs: Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors J. Gasser and L. Cooper were appointed by the Council. Ms K. Burston (Director of Financial Management) was Deputy Treasurer to the Authority. Mr P. Guilliotti was Head of Audit to the Authority.

During the year there were refuse disposal charges of £12.7m and levy payments of £1.4m to WRWA.

Enable Leisure and Culture

Enable provide leisure services for the Council. Councillor G. Humphries is a trustee. During the year, the council received £2.5m for services from Enable. The council paid £1.3m for services provided by Enable.

One Trust

One Trust provides day care services to Wandsworth Council. Councillor Mr I. Lewer was a councillor until May 2022 and was a Director of One Trust. During the year, the Council made payments for services of £2.4m to One Trust. Minimal charges were made by the Council for service provision and interest payments.

St George's University Hospital NHS Foundation Trust

St George's Hospital is located within the Borough, in Tooting. Councillor H. Byrne is an employee of St George's. £1.2m was paid to St George's for service provision and £2.9m of income was received in 2022/23.

Achieving for Children (AfC)

Achieving for Children delivers social care, education and health services to children and young people in the Royal Borough of Kingston, Royal Borough of Windsor & Maidenhead and London Borough of Richmond upon Thames. Jeremy DeSouza (Director of Adult Social Care and Public Health) is a Non-executive Director on the AfC Board. The Council received £0.4m for service provision and grant recoupment. £0.4m was paid to AfC for special educational needs grants.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 34. During the year, works and services to the net value of £1m (£0.4m in 2021/22) were commissioned from companies, voluntary and similar organisations in which Members declared an interest.

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

Note 41 - Capital Expenditure and Capital Financing

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

31 March 2022 £000		31 March 2023 £000
217,994	Opening Capital Financing Requirement	187,341
	Capital Investment:	
107,137	- Property Plant and Equipment	143,080
2	- Investment Property	3
15,682	- Revenue expenditure funded from capital under statute	13,492
64	- Capital Loans and investments	76
122,885	**Total Capital Spending**	**156,651**
	Sources of Finance:	
(32,771)	- Capital receipts	(30,557)
(36,913)	- Government Grants and other contributions	(61,313)
(49,093)	- Major repairs reserve	(58,513)
	Sums set aside from revenue:	
(1,302)	- Direct revenue contributions	(310)
(33,030)	- Borrowing or liabilities met from the HRA	(30,509)
(429)	- Minimum revenue provision	(441)
(153,538)	**Total Sources of Finance**	**(181,643)**
187,341	**Closing Capital Financing Requirement**	**162,349**

Explanation of movements in year

31 March 2022 £000		31 March 2023 £000
(30,225)	Increase in underlying need to borrow	(24,552)
(429)	Other movements	(441)
(30,654)	**Increase/(decrease) in Capital Financing Requirement**	**(24,993)**

Note 42 - Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. The Council has no finance leases.

Authority as Lessee - Operating Leases

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

31 March 2022 £000		31 March 2023 £000
14,574	Not later than one year	11,456
464	Later than one year and not later than five years	594
646	Later than five years	610
15,684	**Total**	**12,660**

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

31 March 2022 £000		31 March 2023 £000
14,211	Minimum lease payments	14,275
14,211	**Total**	**14,275**

Authority as Lessor - Operating Leases

Assets valued at £70.7m (£73.3m in 2021/22) are held for use in operating leases, for which rent of £8.0m was received in 2022/23 (£7.9m in 2021/22). These assets are mostly investment properties which are not subject to depreciation. The rental figure is inclusive of a significant level of backdated rents raised following the conclusion of lease renewals which have not been recognised in prior year's accounts (£0.5m).

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement and the Council contribute toward the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme has in excess of 10,000 participating employees and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, it is therefore accounted for on the same basis as a defined contribution scheme. In 2022/23 the Council paid £10.2m (£10.1m in 2021/22) to Teachers' Pensions in respect of teachers' retirement benefits.

Some statutorily transferred staff are members of the NHS Pension Scheme. The scheme is unfunded and is administered by NHS Pensions, part of the NHS Business Services Authority which is an arms length body of Department of Health and Social Care (DHSC). The pension cost charged to the Council is the contribution rate set by NHS Pensions on the basis of a notional fund and is therefore accounted for as a defined contribution scheme.

In 2022/23, the Council paid £0.2m (unchanged from 2021/22) to NHS Pensions in respect of members retirement benefits.

Note 44 - Defined Benefit Pension Scheme

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

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

The Council recognises a charge to Council Tax based on the cash payable in the year, and the real cost of post-employment/retirement benefits calculated under International Accounting Standard 19 (IAS 19) is reversed out of the General Fund via the MiRS. The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

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

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	General Fund Transactions	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
			Service cost comprising:			
63,528	315	63,843	Current service cost	54,791	290	55,081
770	0	770	Past service cost	465	118	583
(1,279)	10,632	9,353	(Gain) / loss from settlements and / or transfers	(89)	0	(89)
1,127	21	1,148	Administration expenses	907	17	924
6,831	611	7,442	Net interest expense / income	(8,671)	45	(8,626)
70,977	**11,579**	**82,556**	**Total charged to Surplus and Deficit on Provision of Services**	**47,403**	**470**	**47,873**

£000	£000	£000	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	£000	£000	£000
			Re-measurement of the net defined benefit liability comprising:			
(54,184)	(6,043)	(60,227)	Return on plan assets (excluding the amount included in the net interest expense)	129,442	703	130,145
(56,854)	(907)	(57,761)	Actuarial gains and losses - experience	154,960	4,422	159,382
(87,202)	(1,454)	(88,656)	Actuarial gains and losses arising on changes in demographic assumptions	0	0	0
(85,632)	(1,132)	(86,764)	Actuarial gains and losses arising on changes in financial assumptions	(775,565)	(16,686)	(792,251)
7,855	58	7,913	Other movements in the liability/(asset)	0	0	0
(276,017)	**(9,478)**	**(285,495)**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(491,163)**	**(11,561)**	**(502,724)**

(205,040)	**2,101**	**(202,939)**	**Total charged to the Comprehensive Income and Expenditure Statement**	**(443,760)**	**(11,091)**	**(454,851)**

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Movement in Reserves Statement	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
(70,977)	(11,579)	(82,556)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(47,403)	(470)	(47,873)
			Actual amount charged against the general fund balance for pensions in the year:			
24,623	162	24,785	Employers' contributions payable to scheme	26,410	229	26,639

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
(1,897,790)	(57,332)	(1,955,122)	Present value of the defined obligation	(1,339,807)	(44,146)	(1,383,953)
1,774,193	55,658	1,829,851	Fair value of plan assets	1,686,380	53,792	1,740,172
(123,597)	**(1,674)**	**(125,271)**	**Net (liability) / asset arising from the defined benefit obligation**	**346,573**	**9,646**	**356,219**

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Movement in the Value of Scheme Assets	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
1,715,113	62,830	1,777,943	Opening Balance	1,774,193	55,658	1,829,851
33,692	547	34,239	Interest income	60,937	1,414	62,351
			Re-measurement gain / (loss):			
54,184	6,043	60,227	The return on plan assets, excluding the amount included in the net interest expense	(129,442)	(703)	(130,145)
(7,855)	(58)	(7,913)	Other gains / (losses)	0	0	0
24,623	162	24,785	Contributions from employer	26,410	229	26,639
9,981	53	10,034	Contributions from employees into the scheme	10,824	55	10,879
(52,886)	(3,266)	(56,152)	Benefits / transfers paid	(54,636)	(2,844)	(57,480)
(1,127)	(21)	(1,148)	Administration expenses	(907)	(17)	(924)
(1,532)	(10,632)	(12,164)	Assets Extinguished on Settlement	(999)	0	(999)
1,774,193	**55,658**	**1,829,851**	**Closing value of scheme assets**	**1,686,380**	**53,792**	**1,740,172**

2021-22 Council £000	2021-22 LPFA £000	2021-22 Total £000	Movements in the Fair Value of Scheme Liabilities	2022-23 Council £000	2022-23 LPFA £000	2022-23 Total £000
(2,068,373)	(62,565)	(2,130,938)	Opening Balance	(1,897,790)	(57,332)	(1,955,122)
(63,528)	(315)	(63,843)	Current service cost	(54,791)	(290)	(55,081)
(40,523)	(1,158)	(41,681)	Interest cost	(52,266)	(1,459)	(53,725)
(9,981)	(53)	(10,034)	Contributions from scheme participants	(10,824)	(55)	(10,879)
			Re-measurement gains and losses:			
56,854	907	57,761	- Actuarial gains / (losses) - experience	(154,960)	(4,422)	(159,382)
87,202	1,454	88,656	- Actuarial gains / (losses) from changes in demographic assumptions	0	0	0
85,632	1,132	86,764	- Actuarial gains / (losses) from changes in financial assumptions	775,565	16,686	792,251
0	0	0	- Other	0	0	0
(770)	0	(770)	Past service cost	(465)	(118)	(583)
52,886	3,266	56,152	Benefits / transfers paid	54,636	2,844	57,480
2,811	0	2,811	Liabilities extinguished on settlements	1,088	0	1,088
(1,897,790)	**(57,332)**	**(1,955,122)**	**Balance as at 31 March**	**(1,339,807)**	**(44,146)**	**(1,383,953)**

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

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

2021-22 Council £000	%	Asset Allocation	2022-23 Council £000	%
25,834	1.46%	Cash and cash equivalents	66,092	3.92%
1,061,467	59.83%	Equities	953,257	56.53%
23,676	1.33%	Gilts	0	0.00%
245,647	13.85%	Corporate Bonds	270,208	16.02%
213,693	12.04%	Property	221,921	13.16%
203,876	11.49%	Multi-Asset Funds	174,902	10.37%
1,774,193	**100.00%**	**Scheme assets**	**1,686,380**	**100.00%**

2021-22 LPFA £000	2021-22 LPFA %	Asset Allocation	2022-23 LPFA £000	2022-23 LPFA %
1,613	2.90%	Cash and cash equivalents	69	0.13%
31,365	56.35%	Equities	31,633	58.81%
4,920	8.84%	Property	5,282	9.82%
5,876	10.56%	Infrastructure	6,806	12.65%
11,884	21.35%	Target Return Portfolio	10,002	18.59%
55,658	**100.00%**	**Scheme assets**	**53,792**	**100.00%**

Basis of Estimating Assets and Liabilities

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

The Council scheme and the LPFA scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, based upon the latest triennial valuation, as at 31 March 2019.

Data reports received from the actuary for 2022/23 are based on actuals to the end of February 2023, with an estimate factored in for March 2023/24.

Expected Return on Assets

For accounting periods from 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

	Council		**SSA**		**LPFA**	
	2021-22	**2022-23**	**2021-22**	**2022-23**	**2021-22**	**2022-23**
Longevity at 65 for current pensioners						
- Men	21.6	21.1	21.6	21.1	20.9	20.6
- Women	24.3	23.5	24.3	23.5	23.8	23.9
Longevity at 65 for future pensioners						
- Men	23.0	22.3	23.0	22.3	23.0	22.6
- Women	25.8	25.0	25.8	25.0	25.7	25.4
Rate of inflation (RPI)	3.65%	3.30%	3.45%	3.30%	3.75%	3.30%
Rate of inflation (CPI)	3.25%	2.90%	3.15%	2.90%	3.40%	2.90%
Rate of increase in salaries	4.25%	3.90%	4.15%	3.90%	4.40%	3.90%
Rate of increase in pensions	3.25%	2.90%	3.15%	2.90%	3.40%	2.90%
Rate for discounting scheme liabilities	2.60%	4.80%	2.60%	4.80%	2.60%	4.80%
Take up of converting annual pension to lump sum	50%	50%	50%	50%	50%	50%

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

	Council			LPFA		
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,319,895	1,339,807	1,360,220	43,702	44,146	44,599
Projected Service Cost	24,154	25,020	25,914	159	163	166
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,341,052	1,339,807	1,338,569	44,169	44,146	44,127
Projected Service Cost	25,036	25,020	25,002	163	163	163
Adjustment to pension increases & deferred revaluation	**0.10%**	**0.00%**	**-0.10%**	**0.10%**	**0.00%**	**-0.10%**
Present Value of Total Obligation	1,359,336	1,339,807	1,320,750	44,588	44,146	43,712
Projected Service Cost	25,926	25,020	24,143	166	163	160
Adjustment to mortality age rating assumption	**+ 1 Year**	**None**	**-1 Year**	**+ 1 Year**	**None**	**-1 Year**
Present Value of Total Obligation	1,398,029	1,339,807	1,284,337	46,567	44,146	41,863
Projected Service Cost	25,995	25,020	24,070	169	163	157

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

Impact on the Council's cash flows.

The liabilities above show the underlying commitment that the Council has as an employer to pay retirement benefits as they fall due valued on an IAS 19 basis. The total surplus of £355m has a substantial impact on the net worth of the Council as recorded on the Balance Sheet. An IAS 19 valuation uses more prudent assumptions than those used in the triennial valuation which sets the cash contributions required over the subsequent 3 years. These statutory funding and valuation arrangements mean that the Council's position as an employer in the Fund remains healthy.

The objectives of the Wandsworth Pension Fund are to keep employer's contributions at as constant a rate as possible while prudently managing any surplus or deficit. The latest triennial valuation as at 31 March 2019 showed that the pension fund was 105% funded after setting aside an asset shock reserve. This valuation set contribution rates for the 3 years from 2020/21 of 19.1% of payroll which includes a negative secondary rate in recognition of a surplus position.

The Council is the Administering Authority for the Wandsworth Fund and so would become liable to fund any shortfall in pension benefits should the situation arise. The whole Fund's position, on both an IAS 19 (PF Note 28) and Triennial valuation basis (PF Note 27), is reported in the Pension Fund Accounts.

Note 45 - Contingent Liabilities

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

At 31 March 2023, the Council had some outstanding legal and insurance cases which could give rise to a liability in the future. If the cases do give rise to a liability these costs will be met from the insurance provision (based on total value of all outstanding cases) or from in year budgets, however the Council are not expecting any material cases.

Insurance

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992. However, in November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a solvent run-off can no longer be foreseen. The Scheme Administrator issued an initial levy of 15% in January 2014 which was paid from money set aside for this purpose. The Administrator issued a further levy of 10% in April 2016, meaning that the creditors are responsible for the first 25% of the claim. Whilst these liabilities are subject to change due to the evolving claims landscape further levies are not anticipated at this time. The Council has sufficient resources in the Insurance Reserve to cover any further levy.

Note 46 - Contingent Assets

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

There were no contingent assets outstanding as at 31 March 2023.

Note 47 - Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meets its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, fair value, and stock market movements.

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

Credit Risk

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

Fixed Term Deposits

This risk is minimised through the Council's Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Policy also imposes a maximum sum to be invested with a financial institution located within each category. During the year treasury management is regularly reviewed at the monthly treasury management team meeting. The 2022/23 policy (as amended in December 2022) was as follows:

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

b) Up to £100m with other UK local authorities or precepting authorities;

c) Up to £20m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, AA- long-Tterm, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);

d) to £20m with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's);

e) up to £10m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);

f) up to £10m with UK or non-UK institutions with a Fitch credit rating of at least F1 short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's);

g) up to £5m for a maximum of 6 months with UK or non-UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term watch that is negative (or equivalent under Moody's or Standard and Poor's);

h) up to £10m with UK or non-UK institutions for a maximum of 3 months where 2 out of 3 credit rating agencies have a Fitch credit rating of at least F1 short-term, A long-term, and a short-term watch that is not negative (or equivalent under Moody's or Standard and Poor's); and,

i) up to £50m with banks owned 20% or more by the UK Government (e.g. NatWest Group). Included in this limit is any balance held in notice funds held with these institutions.

In addition to the above criteria, investments with banks shall not exceed the following percentage parameters:

a) No more than 40% of total investments shall be held in banks as fixed term deposits (this excludes those banks owned 20% or more by the UK Government (e.g. NatWest Group).

b) No more than 30% of total investments shall be held in overseas banks as fixed term deposits.

c) No more than 10% of total investments shall be held in one overseas sovereign country in relation to fixed term deposits

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

Money Market Funds and Short Dated Income Funds

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

a) MMFs may be either short dated funds with daily liquidity or slightly longer dated funds with short notice periods. The choice of funds is to be determined at the monthly Treasury Management meetings within the Resources Directorate. Daily operation of the funds is managed by the Accoountancy Team.

b) The maximum overall limit for the use of MMFs and short dated funds shall be 50% of total investments.

c) The maximum limit for each counterparty with AAA rating shall be £50m.

d) The Federated +1 day MMF may exceed £50m to allow for capital appreciation which may take an initial investment over that value. This capital value will be formally reviewed at the monthly Treasury Management Meeting with the Ececutive Director of Finance at each £100,000 additional excess achieved.

e) Each MMF shall have a minimum AAA credit rating from one of the 3 main credit rating agencies and, if the fund has more than 1 rating, each rating shall be AAA.

f) Each short dated income fund shall have as a minimum AA credit rating from one of the three main credit rating agencies.

g) The maximum investment placed in any fund shall not exceed 7.5% of the total assets under management in the fund.

h) For an AA rated short dated income fund, the maximum investment in any fund shall not exceed £5m, or 7.5% of assets under management whichever is the lower.

i) Short dated income funds held at a bank which is 20% or more owned by the UK Government (e.g. NatWest Group) are exempt from the MMF criteria a) to h) but are subject to the restrictions detailed in banks criteria i).

Property Funds

Up to £50m may be placed in a Property Fund that is set up under a scheme approved by HM Treasury so that it does not count as capital expenditure. Total investments in a property fund should not be greater than 5% of total investments, or greater than 10% of the lowest cash flow projection over 3 years (inclusive of the year of investment), when placed.

Covered Bonds

Up to £50m may be placed in a covered bond with a maturity period of no longer than 3 years and a credit rating of AAA from at least one of the three credit rating agencies. If the bond issuer is one of the institutions on the Council's investment list this investment will not count against the limit for that counterparty.

Joint Venture Loans

Loans may be made through bond instruments issued by any Joint Venture arrangement, development partner or vehicle set up for the purpose of regenerating the Council's housing estates. This may be in either cash or backed by property assets. Any such investment shall not exceed £50m per investment/ loan type and £125m in total.

Loans to Staff Mutuals, other service providers and Voluntary organisations

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

Longer Term Investments

Investments up to an aggregate limit of £100m for around 5 years, subject to meeting the criteria that investments do not count as capital expenditure. Investments could include individual corporate bonds (grade BBB and above), fixed income funds, equity funds; and multi asset funds. In addition, investments may be made in products akin to those currently used by the Pension Fund. Where practicable, suitable hedging arrangements will be made on all such investments; however, it is recognised that hedging (outside a fund) against downside risk will often be cost prohibitive therefore risk management will focus on diversification. The total amount invested with any one manager shall not exceed £35m unless capital appreciation takes an initial investment over that value. Any new investment should not make the cumulative investments higher than 15% of total investments or 20% of the lowest cash flow projection over 3 years (inclusive of the year of investment) when placed.

Business Improvement Districts (BIDS)

Loans may be made to Wandsworth based BIDS for start-up loans at up to market rates of interest to an overall maximum limit of £1m.

Other counterparty debtors

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

Liquidity Risk

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

Liquidity Risk	**31 March 2022**	**31 March 2023**
	£000	**£000**
Less than one year	18,001	17,808
Between one and two years	17,710	17,202
Between two and five years	17,420	0
More than five Years	0	0
More than ten years	0	0
Total	**53,131**	**35,010**

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

Interest Rate Risk

The Council borrowed £223.6m at a fixed rate of 1.69% from PWLB on 28 March 2012 towards the cost of the HRA subsidy system buy out. This loan is repaid in full in March 2025. In 2022/23 the Council has taken no new external borrowing for the General Fund or HRA therefore there has been no affect from rising interest rates.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments especially on Multi Asset and Property Funds. The Accountancy team has an active strategy for assessing interest rate exposure that is used to update budget monitoring during the year and take into account any adverse changes.

Note 48 – Group Relationships

Shared Services

The SSA with LB Richmond

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

South London Legal Partnership (SLLP)

First formed in 2011, the South London Legal Partnership is now London's first five-borough shared legal service. Working on behalf of the London Boroughs of Merton, Richmond, Kingston, Sutton and Wandsworth, the service is hosted by LB Merton but governed by a joint board which oversees the delivery of services. Wandsworth is directly charged via an hourly rate for the service.

The aim of the service is to provide more resilient and higher quality legal services than that provided by each authority individually, assuming that future savings will need to be made to the budgets of all local authorities. The service is ISO 9001:2015 accredited and provides the full remit of local authority legal services to the Directorates of all councils as well as advice to councillors, the committees of the councils and to schools. The Council paid £2.6m in 2022/23 (£2.5m in 2021/22) to LB Merton for this service.

Internal Audit and Investigations Service

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

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

The Council's net spend was £0.6m on the Internal Audit and Investigations in 2022/23 (£1m in 2021/22).

Pension Administration Services

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

The Council incurred expenditure of £2.2m and recovered £1.1m from other local authorities in 2022/23 in relation to this service (£2.4m expenditure and £1.4m recovered in 2021/22).

Other

The Council has a wholly owned Local Authority Trading Company (Wandsworth BC Trading Limited) with the Council as the sole shareholder. The Council's view is this does not form part of Group Accounts for the year 2022/23.

The Council is part of a joint venture partnership with Taylor Wimpey PLC to develop the York Road and Winstanley Estates. Both partners own 50% of the partnership. This joint venture has been consolidated as part of the Council's Group Accounts.

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

Collection Fund

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

31 March 2022					**31 March 2023**			
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
				INCOME:				
		(119,713)	(119,713)	Council Tax Receivable			(125,331)	(125,331)
(93,024)			(93,024)	Business Rates Receivable	(105,281)			(105,281)
(182)		0	(182)	Transitional Protection Payments Receivable	383		0	383
	(2,430)		(2,430)	Business Rates Supplements receivable		(2,697)		(2,697)
		(9)	(9)	Transfer from General Fund re Covid Hardship			(2)	(2)
(93,206)	**(2,430)**	**(119,722)**	**(215,358)**	**Total amounts to be credited**	**(104,898)**	**(2,697)**	**(125,333)**	**(232,928)**
				EXPENDITURE:				
				Apportionment of Previous Year Surplus/Deficit:				
(23,025)			(23,025)	Central Government	(14,132)			(14,132)
(21,545)		564	(20,981)	Wandsworth Borough Council	(12,847)		1,381	(11,466)
(25,791)		401	(25,390)	Greater London Authority	(15,844)		1,057	(14,787)
				Precepts, demands and shares:				
37,735			37,735	Central Government	32,069			32,069
34,304		65,552	99,856	Wandsworth Borough Council	29,153		65,834	94,987
42,309		49,481	91,790	Greater London Authority	35,956		54,602	90,558
				Business Rate Supplement:				
	2,366		2,366	Payment to levying authority's Business Rate Supplement Revenue Account		2,865		2,865
	8		8	Administrative Costs		7		7

				Charges to Collection Fund:				
4		321	325	Write-offs of uncollectable amounts	424		961	1,385
2,587	56	1,536	4,179	Increase/(decrease) in allowance for impairment	(920)	(175)	243	(852)
(259)			(259)	Increase/(decrease) in allowance for appeals	3,793			3,793
439			439	Charge to General Fund for allowable collection costs for non-domestic rates	440			440
				Transfers to General Fund:				
8,162			8,162	Designated Area Payments	8,534			8,534
54,920	**2,430**	**117,855**	**175,205**	**Total amounts to be debited**	**66,626**	**2,697**	**124,078**	**193,401**
(38,286)	**0**	**(1,867)**	**(40,153)**	**(Surplus)/Deficit arising during the year**	**(38,272)**	**0**	**(1,255)**	**(39,527)**
81,737	**0**	**(1,141)**	**80,596**	**(Surplus)/Deficit b/f at 1 April**	**43,451**	**0**	**(3,008)**	**40,443**
43,451	**0**	**(3,008)**	**40,443**	**(Surplus)/Deficit c/f at 31 March**	**5,179**	**0**	**(4,263)**	**916**

Notes to the Collection Fund

Note 1 – Council Tax Income

2022-23

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	0	6/9	2,662
B	40,001 - 52,000	0	7/9	6,476
C	52,001 - 68,000	0	8/9	26,066
D	68,001 - 88,000	0	9/9	29,305
E	88,001 - 120,000	0	11/9	26,810
F	120,001 - 160,000	0	13/9	23,371
G	160,001 - 320,000	0	15/9	22,019
H	More than - 320,001	0	18/9	5,438
			Adjustment	(4,264)
			Plus Ministry of Defence Properties	145
			Council Tax Base	**138,028**

2021-22

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Up to and including - 40,000	3,900	6/9	2,600
B	40,001 - 52,000	8,197	7/9	6,375
C	52,001 - 68,000	29,160	8/9	25,920
D	68,001 - 88,000	29,114	9/9	29,114
E	88,001 - 120,000	21,459	11/9	26,228
F	120,001 - 160,000	15,723	13/9	22,711
G	160,001 - 320,000	13,073	15/9	21,788
H	More than - 320,001	2,693	18/9	5,386
			Adjustment	(4,203)
			Plus Ministry of Defence Properties	145
			Council Tax Base	**136,064**

The rateable value of non-domestic properties at 31 March 2023 was £310.3m (£312.9m for 31 March 2022).

The Business Rates multiplier for 2022/23 was 51.2p and the small business multiplier for 2020/21 was 49.9p (no change for both since 2020/21).

Housing Revenue Account

Housing Revenue Account Income and Expenditure Statement

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

2021-22 £000		2022-23 £000
	Expenditure	
29,236	Repairs & Maintenance	38,355
60,949	Supervision & Management	67,580
586	Rents, Rates, Taxes and other charges	900
47,609	Depreciation, impairments and revaluation losses of non-current assets	43,775
1,021	Movement in the allowance for bad debts	1,925
139,401	**Total Expenditure**	**152,535**
	Income	
(113,540)	Dwelling rents	(113,297)
(3,725)	Non-dwelling rents	(3,740)
(25,812)	Charges for services and facilities	(33,937)
(4,044)	Other	(4,751)
(147,121)	**Total Income**	**(155,725)**
(7,720)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(3,190)**
1,397	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	1,366
(6,323)	**Net Expenditure of HRA Services**	**(1,824)**
(21,496)	(Gains)/loss on sale of HRA Fixed Assets	(10,122)
2,754	Interest Payable and Similar Charges	2,840
(4,788)	HRA Interest and Investment Income	(12,344)
770	Net interest on the defined benefit liability/asset	(947)
(9,424)	Capital Grants and Contributions	(35,665)
(38,507)	**(Surplus) or Deficit for Year on HRA Services**	**(58,062)**

The statement incorporates £7.6m (£8.4m in 2021/22) of expenditure classified as Revenue funded by Capital under Statute relating to capital expenditure on housing estates, fully funded by leaseholder contributions or government grant, and also grants made to existing Council tenants to assist them in purchasing properties in the private sector freeing the vacated property for other prospective Council tenants. Overall rent arrears in relation to existing and former tenants of Council dwellings (and including other accounts linked to HRA properties) are incorporated into the consolidated figures for the Council, and stood at £11.3m as at 31 March 2023 (£10.7m as at 31 March 2022), against which a cumulative provision for bad debts of £7.9m (£7.1m as at 31 March 2022) has been established.

Movement on the HRA Statement

2021-22 £000	Movement on the HRA Statement	2022-23 £000
(139,331)	**Balance on the HRA at the end of the previous year**	**(147,799)**
(38,506)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(58,062)
30,038	Adjustments between accounting basis and funding basis under statute	52,878
(8,468)	**Net (increase) or decrease on the HRA**	**(5,184)**
0	Transfers to / (from) Reserves	(473)
(8,468)	(Increase) / decrease on the HRA for the year	(5,184)
(147,799)	**Balance on the HRA at the end of the current year**	**(153,456)**

2021-22 £000	Adjustment between accounting basis	2022-23 £000
(23,366)	Transfers to/(from) the Capital Adjustment Account	(19,551)
21,681	Gain or (loss) on sale of non-current assets	10,313
(6,384)	Contributions to or (from) the Pension Reserve	(3,097)
(185)	Transfers to/(from) the Capital Receipts Reserve	(191)
213	Transfers to/(from) the Accumulated Absences Account	(381)
24,611	Transfers to/(from) Major Repairs Reserve	25,834
13,468	Transfers to/(from) Capital Grants Unapplied	39,951
30,038	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**52,878**

Notes to the HRA Accounts

Note 1 - Analysis of Council Housing Stock

31 March 2022				31 March 2023		
Flats	**Houses**	**Total**		**Flats**	**Houses**	**Total**
14,452	2,615	17,067	Secure tenancies	14,448	2,607	17,055
41	48	89	Equity share tenancies	42	48	90
230	0	230	Shared dwellings	215	0	215
15,692	46	15,738	Long-lease sold	15,661	46	15,707
30,415	**2,709**	**33,124**	**Total**	**30,366**	**2,701**	**33,067**

Note 2 – Housing Revenue Account Capital Funding

2021-22 £000		2022-23 £000
(2,805)	Borrowing	(5,957)
(100)	Direct Revenue Financing	0
(22,637)	Capital Receipts	(15,170)
(49,093)	Major Repairs Reserve	(58,514)
(13,468)	Government grants and other contributions	(39,951)
(88,103)	**Total funding**	**(119,592)**

Note 3 - Balance Sheet Value of HRA Assets

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

The vacant possession value of dwellings within the HRA at 31 March 2023 was £6.7bn (£6.2bn in 2021/22). The Balance Sheet value is lower because nearly all the dwellings are occupied and because the rents for secure tenancies are below market value.

Revaluation

HRA operational assets were valued by the Council's valuer as at 31 March 2023. This annual valuation gave an overall un-realised increase in value of £70.2m. This included £88.3m revaluation gain increasing the Revaluation Reserve and £18.1m loss shown as a cost in the Income and Expenditure statement.

Note 4 – Depreciation of Non-Current Assets

2021-22 £000		2022-23 £000
(23,308)	Council Dwellings	(24,511)
(1,303)	Other Land & Buildings	(1,323)
(24,611)	**Total**	**(25,834)**

Note 5 – Transactions relating to retirement benefits

2021-22 £000		2022-23 £000
5,414	Current Service Cost	3,883
199	Past Service Costs	161
770	Net interest expense / income	-947
6,383	**Total charged to Comprehensive Income and Expenditure Statement**	**3,097**

Note 6 – Total Capital Receipts generated during the year

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

Consolidated Group Accounts

Introduction

This section of the Statement of Accounts details the group financial statements for the Council. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Council controls.

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

Winstanley and York Road Regeneration LLP

The Winstanley and York Road Regeneration LLP was operational from 22 June 2017. The principal activity of the partnership is that of property development. It is an equal partnership between Taylor Wimpey UK Limited and the Council with both members being equally represented on the Board with equal voting rights over operational management.

As at 31 March 2023, in accordance with the legal agreements governing this development, the Council is putting approximately £38m of properties and land into the Joint Venture. The Joint Venture has issued loan notes to the Council to cover the value of the land and properties. Until such time as the money is repaid, the Council will earn interest at 6% per annum.

Until the development phase reaches specific milestones the Council properties remain legally owned by the Council. The properties are currently being accounted for within the Housing Revenue Account as they are being used to provide short term temporary accommodation. The Council has continued to recognise these properties within its assets as at 31 March 2023. The properties form part of the Council Dwellings balance and have been valued accordingly. The Council has also recognised the Loan Notes in the long-term debtors as at 31 March 2023.

The financial year end of the Winstanley and York Road Regeneration LLP was 31 December 2022, The Council's financial year end is 31 March 2023. In consolidating the accounts, adjustments need to be made for any significant transactions/ events that occurred between 31 December 2022 and 31 March 2023.

Under the terms of the Members Agreement Taylor Wimpey UK Limited and the London Borough of Wandsworth are contractually obliged to provide funding to the partnership to a predetermined level. The members are of the view, at the time of approving the draft financial statements there is reasonable expectation the Partnership will be able to remain in existence for at least 12 months from the date of the approval of the Accounts prepared for the Partnership. Accordingly, the financial statements have been prepared on a going concern basis.

The Accounting Policies of Winstanley and York Road Regeneration LLP are the same as the Council's and as the notes to the Group Accounts are not materially different from those of the Council, no additional notes have been disclosed.

Group Comprehensive Income and Expenditure Statement

2021-22				2022-23		
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
322,028	(215,201)	106,827	Children's	337,165	(229,864)	107,301
49,672	(12,223)	37,449	Environment	50,854	(11,365)	39,489
208,685	(179,701)	28,984	Finance	187,018	(158,541)	28,477
145,570	(87,749)	57,821	Health	159,832	(87,213)	72,619
46,406	(26,938)	19,468	Housing	54,263	(35,869)	18,394
131,996	(139,715)	(7,719)	Housing Revenue Account	142,962	(144,786)	(1,824)
152,432	(161,608)	(9,176)	Transport	70,796	(125,601)	(54,805)
1,056,789	**(823,135)**	**233,654**	**Cost of Services**	**1,002,890**	**(793,239)**	**209,651**
7,480	(21,783)	(14,303)	Other Operating Expenditure	66,010	0	66,010
65,504	(73,119)	(7,615)	Financing and Investment Income and Expenditure	97,084	(114,124)	(17,040)
0	(268,799)	(268,799)	Taxation and Non-Specific Grant Income	0	(271,596)	(271,596)
1,129,773	**(1,186,836)**	**(57,063)**	**Surplus or Deficit on Provision of Services**	**1,165,984**	**(1,178,959)**	**(12,975)**
		3,369	Share of the Surplus / Deficit of Joint Ventures			1,563
		(53,694)				**(11,412)**
		(44,194)	Surplus or deficit on revaluation of Property, Plant and Equipment			(120,247)
		(285,495)	Remeasurement of the net defined benefit liability / asset			(502,724)
		(329,689)	**Other Comprehensive Income and Expenditure**			**(622,971)**
		(383,383)	**Total Comprehensive Income and Expenditure**			**(634,383)**

Group Balance Sheet

31 March 2022 £000		31 March 2023 £000
2,827,101	Property, Plant and Equipment	2,949,873
1,351	Heritage Assets	1,351
72,928	Investment Property	70,111
0	Intangible Assets	0
79,042	Long-Term Investments	100,438
38,707	Long-Term Debtors	38,644
3,019,129	**Long Term Assets**	**3,160,417**
494,125	Short-Term Investments	561,746
1,054	Assets Held for Sale	1,054
4,540	Inventories	4,431
158,070	Short-Term Debtors	125,248
176,669	Cash and Cash Equivalents	87,742
834,458	**Current Assets**	**780,221**
(17,909)	Short-Term Borrowing	(17,808)
(181,250)	Short-Term Creditors	(156,021)
(6,473)	Provisions	(7,651)
(30,680)	Grants Receipts in Advance - Revenue	(7,709)
(218)	Grants Receipts in Advance - Capital	(217)
(236,530)	**Current Liabilities**	**(189,406)**
(39,582)	Long-Term Creditors	(39,582)
(6,874)	Provisions	(6,686)
(34,403)	Long-Term Borrowing	(17,202)
(125,271)	Other Long-Term Liabilities	356,220
0	Grants Receipts in Advance - Revenue	0
(7,758)	Grants Receipts in Advance - Capital	(4,867)
(7,712)	Share of Joint Venture Liabilities	(9,275)
(221,600)	**Long Term Liabilities**	**278,608**
3,395,457	**Net Assets**	**4,029,840**
(828,352)	Usable Reserves	(847,399)
(2,574,817)	Unusable Reserves	(3,191,716)
7,712	Share of Joint Venture Reserves	9,275
(3,395,457)	**Total Reserves**	**(4,029,840)**

Group Movement in Reserves Statement

	WBC Usable Reserves	WBC Unusable Reserves	Authorities Share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
Balance at 31 March 2022	**(828,352)**	**(2,574,817)**	**7,712**	**(3,395,457)**
Surplus or deficit on the provision of services	(12,975)	0	1,563	(11,412)
Other Comprehensive Income / Expenditure		(622,971)	0	(622,971)
Total Comprehensive Income and Expenditure	**(12,975)**	**(622,971)**	**1,563**	**(634,383)**
Adjustments between accounting basis and funding basis under regulations	(6,072)	6,072	0	0
Increase or Decrease in 2022-23	**(19,047)**	**(616,899)**	**1,563**	**(634,383)**
Balance at 31 March 2023	**(847,399)**	**(3,191,716)**	**9,275**	**(4,029,840)**

	WBC Usable Reserves	WBC Unusable Reserves	Authorities Share of Joint Venture Reserves	Total Group Reserves
	£000	£000	£000	£000
Balance at 31 March 2021	**(778,348)**	**(2,238,069)**	**4,343**	**(3,012,074)**
Surplus or deficit on the provision of services	(57,063)	0	3,369	(53,694)
Other Comprehensive Income / Expenditure		(329,689)	0	(329,689)
Total Comprehensive Income and Expenditure	**(57,063)**	**(329,689)**	**3,369**	**(383,383)**
Adjustments between accounting basis and funding basis under regulations	7,059	(7,059)	0	0
Increase or Decrease in 2021/22	**(50,004)**	**(336,748)**	**3,369**	**(383,383)**
Balance at 31 March 2022	**(828,352)**	**(2,574,817)**	**7,712**	**(3,395,457)**

Group Cash Flow Statement

2021-22 £000		2022-23 £000
(53,694)	Net (surplus) or deficit on the provision of services	(11,412)
(173,373)	Adjustment to surplus or deficit on the provision of services for noncash movements	(123,440)
118,273	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	85,851
(108,794)	**Net cash flows from operating activities**	**(49,001)**
102,122	Net cash flows from investing activities	153,561
(10,875)	Net cash flows from financing activities	(15,633)
(17,547)	**Net (increase) or decrease in cash and cash equivalents**	**88,927**
159,122	Cash and cash equivalents at the beginning of the reporting period	176,669
176,669	**Cash and cash equivalents at the end of the reporting period**	**87,742**

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

To Follow

Pension Fund Accounts

Wandsworth Fund Account

2021/22 £000		Note	2022/23 £000
	Dealing with Members, Employers and Others Directly Involved in the Fund		
(68,372)	Contributions receivable	*PF Note 8*	(73,692)
(10,037)	Transfers In from Other Pension Funds	*PF Note 9*	(12,867)
(78,409)			(86,559)
80,405	Benefits payable	*PF Note 10*	84,641
9,960	Payments to and on account of Leavers	*PF Note 11*	14,150
90,365			98,791
11,956	**Net (Additions)/Withdrawals from Dealings with Members**		**12,232**
12,855	Management Expenses	*PF Note 12*	12,773
24,811	**Net (Additions)/Withdrawals including Fund Management Expenses**		**25,005**
	Returns on Investments		
(45,909)	Investment income	*PF Note13*	(50,651)
269	Taxes on income	*PF Note 13*	497
(108,957)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	*PF PF Note* **15**	140,111
(154,597)	**Net Returns on Investments**		**89,957**
(129,786)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**114,962**
(2,745,821)	Opening Net Assets of the Fund		(2,875,607)
(2,875,607)	**Closing Net Assets of the Fund**		**(2,760,645)**

Net Assets Statement

31st March 2022 £000		Note	31st March 2023 £000
	Investment Assets		
2,840,692	- Investment Assets		2,674,052
50,695	- Cash Deposits with FM		92,497
(26,785)	Investment Liabilities		(10,368)
2,864,602	**Total Net Investments**	*PF Note 15*	**2,756,181**
	Long term Assets		
300	- CIV Long Term Capital (Founders' Shares)		300
1,520	- Long Term Debtor	*PF Note 29*	2,739
2,866,422	**Total Long-Term Assets**		**2,759,220**
	Current Assets		
10,008	- Cash Deposits with Bank	*PF Note 30*	1,666
1,882	- Current Assets (excl. bank)	*PF Note 30*	2,414
11,890			**4,080**
(2,705)	Current Liabilities	*PF Note 30*	(2,655)
(2,705)			**(2,655)**
2,875,607	**Net Assets of the Fund Available to fund Benefits at the end of the Reporting Period**		**2,760,645**

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

Notes to the Wandsworth Pension Fund Accounts

PF Note 1 – Description of the Fund

The Wandsworth Pension Fund (the Fund) is part of the LGPS and is administered by Wandsworth Council.

a) General

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

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Wandsworth Council to provide pensions and other benefits for pensionable employees of Wandsworth Council, Richmond Council, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Joint Pensions Committee, which is a committee of Wandsworth Council, and includes representatives from both Wandsworth and Richmond Councils.

b) Membership

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

Organisations participating in the Wandsworth Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, where the employer has been designated by a scheduled body as being eligible for membership.

Membership details are set out below:

31st March 2022		31st March 2023
69	**Number of Employers with Active Members**	**73**
	Number of Employees in the Fund	
8,101	Councils (LBRuT & WBC)	8,010
2,923	Other Employers	3,128
11,024	**Total**	**11,138**
	Number of Pensioners (including dependents)	
9,847	Councils (LBRuT & WBC)	10,062
1,198	Other Employers	1,285
11,045	**Total**	**11,347**
	Number of Deferred Pensioners	
15,944	Councils (LBRuT & WBC)	16,238
3,773	Other Employers	4,021
19,717	**Total**	**20,259**
41,786	**Total Number of Members in the Fund**	**42,744**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which completed early in 2023 and will therefore apply from 1st April 2023. The employer primary contribution rates set at the 2019 valuation that applied in the 2022/23 year ranged from 17.4% to 32.0% of pensionable pay with an overall Fund primary rate of 19.6%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see www.lgpsmember.org

PF Note 1 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis (see Note 3).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, can be adopted by the Code for accounting periods commencing on or after 1 April 2022 but is not required until 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

The Accounts report on the Net Assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the Notes to the Accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 28.

PF Note 2 - Going Concern

The accounts have been prepared on a going concern basis. The Wandsworth Pension Fund remains a statutory open scheme, with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events. All LGPS funds are required to have a Triennial Valuation, where the actuary estimates the net present value of likely future pension payments (taking into account likely pay growth, inflation and longevity) and compares this to the net present value of assets (taking into account growth in market value, reinvestment of returns and so on). This gives a net funding position which is used to decide what contributions are needed for the next 3 years to move towards an acceptable position over up to 20 years.

The Fund's 2019 valuation gave a 105% funding level after allowing for a 10% asset shock reserve (approx. £0.2bn). This position has improved to 116% funding at the 31st March 2022 valuation, after allowing for the asset shock reserve. The asset shock reserve gives the Fund added resilience to any market volatility reducing the risk to its long term financial position. The funding level being over 100% provides a buffer for adverse differences between experience over the next 3 years and assumptions made for the valuation. The key assumptions in the valuation are a discount rate of 4.4% and long term average CPI inflation of 2.9%.

The investment return required in the valuation of 4.4% (4.5% for 2019) is a long-term assumption taking into account market volatility and compares favourably with the actual return of 8.9% over the 3 years to March 2023. The annual return to 31st March 2023 reported to June Committee was +3.9% (the Fund's benchmark was +3.4%), and total assets valued at £2.8bn. These values include the impact of the "mini budget" in September 2022 and the ongoing market recovery since this point.

In the short term, the Fund is dependent on cash flows to make pension payments required by LGPS regulations.

The Fund recognises it is cash flow negative in dealings with members and therefore has existing plans in place to cover this cash deficit from investment returns and potentially liquidation of assets if needed in later years. The going concern assumption therefore also considers the medium term position of the Fund. The Fund sets a 3 year cash flow budget every March which shows estimated income and outgoings and returns on investments which can be used to maintain liquidity or for reinvestment as needed. The Fund held £94.2m in cash at 31 March 2023 (see Note 26) and currently has a 55% asset allocation to equity (£1.6bn at 31 March 2023) which could be liquidated quickly if needed. This demonstrates the Fund's short and medium term going concern status.

Richmond and Wandsworth councils represented 73% of regular employer contributions to the Fund during 2022/23, and as administering authority, Wandsworth is the funder of last resort. The Fund therefore received the majority of its income from public bodies backed by the government, as well as having recourse to one of these bodies for short term lending if needed, giving a high level of certainty over cashflows. The Fund has the power to borrow to fund benefit payments or for investment when repayment can be made within 90 days under Statutory Instrument 2016/946.

PF Note 3 - Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 31) to purchase scheme benefits are accounted for on a cash receipts basis and are included in Transfers In (Note 9). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. Where the agreement sets a date for the transfer, estimated values are recognised on this date where estimation is possible. Where no date is set, or accurate estimation is not possible, transfers are recognised on a cash basis.

c) Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due. The Fund does not currently own any directly held property.
Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing that payment has been approved.

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

f) Management expenses
The Fund discloses its pension fund management expenses (which includes fees charged by the LCIV) in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	The overall costs of the pensions administration team (including staffing, accommodation, management and other overheads) are analysed and the proportion of these costs relating to administering the Fund are charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses	Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown in Note 12 and grossed up to increase the change in value of investments. Fees charged by external investment managers and the custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has paid performance related fees to Oakhill (MAC), Nuveen UKPF (Property) and JP Morgan (Infrastructure). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The proportion of the time spent by Council officers on investment management activity is recharged to the Fund.

Net Assets Statement

g) Financial assets

LCIV Long Term Capital represents regulatory capital of the LCIV, the investment is not repayable on demand. This is not an investment; this is a regulatory requirement to enable the Fund to participate in LCIV's pooling arrangements. Fair value at 31 March 2023 is cost as the shares are not tradable but can be redeemed for face value if the Fund were to withdraw from LCIV. This value includes both Wandsworth and Richmond shares due to the Funds having merged in 2016. Investments accessed via the LCIV are reported as such in the relevant asset class.

Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2023, this value has been amended for calls and distributions since the reporting period and change in the exchange rate as the best estimate of fair value at 31st March 2023, in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in PF Note **15** . Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the Fund Account. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see PF Note **15**). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties
Properties are valued as at the year-end date by independent external valuers on a fair value basis, see Note 19 for more details. The Fund only holds property investments via pooled vehicles.

i) Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.
Some pooled vehicles have internal currency hedging, and, in these cases, the overall value shown for the investment will reflect the impact of the hedging; otherwise the value of open currency hedges will be shown separately to any related investments.

j) Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities, including currency exposure. The Fund does not hold derivatives for speculative purposes. The Fund does not use hedge accounting, showing derivative values and movements separate from the assets whose risks they are offsetting.

k) Long Term Debtors
Where the Fund makes a tax payment on behalf of a pensioner (under 2016 or other regulations) this payment is carried as a long term debtor. The debt is recovered by reducing their benefit payments by an actuarially assessed amount and written down to the Fund Account over the relevant duration (see Note 29).

l) Cash and cash equivalents
Cash comprises cash in hand, demand deposits and money market funds, including amounts held by the Fund’s external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash equivalents are pooled funds similar to liquidity money market funds. The Fund has not held any cash equivalents during this or the prior year.

m) Loans and receivables
Financial assets classed as amortised cost are carried in the Net Asset Statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

n) Financial liabilities
A financial liability is recognised in the Net Assets Statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis.

o) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present

value of promised retirement benefits by way of a note to the Net Assets Statement (Note 28).

p) Additional voluntary contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 31.

q) Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event has taken place prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes.

PF Note 4 - Critical Judgements in Applying Accounting Policies

Pension Fund Liability
The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 27. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Asset Valuations and Covid 19
Covid 19 had an impact on financial markets during 2019/20 and early 2020/21 when market values fell for almost all asset classes and the Fund's pooled property investments were subject to material valuation uncertainty at 31 March 2020 and many property funds were closed to redemptions. Market pricing returned to around pre pandemic levels by 31st March 2021 and pricing from mid 2020/21 reflects the "new normal". Therefore there is minimal impact of Covid 19 in either 2021/22 or 2022/23 accounts. The Fund's pooled infrastructure investments include some transport infrastructure and pooled property includes office space, both of which will continue to be valued based on "new normal" demand for these assets.

Asset Valuations and the Conflict in Ukraine
The ongoing conflict between Russia and Ukraine impacted financial markets late in the 2021/22 financial year. As at 31 March 2022 UK funds were unable to trade in assets in Russia due to UK government restrictions. Therefore any assets held were assigned nil fair value at that date due to the inability to realise the investment.

The Wandsworth Fund did not hold material direct investments in the area but had exposure (estimated at 0.11% of the Fund value at the end of February 2022) via pooled equity vehicles prior to this devaluation. The Fund also held debt and infrastructure investments with companies that had offices in the region where it is not possible to estimate a value at risk due to the diluted impact on the investment. Therefore there is no direct material impact on the Fund's accounts, although the uncertainty caused by the conflict will have impacted via wider market sentiment.

The impact of reduced supply on fuel prices and profits from fuel supply would have been felt in market pricing for affected companies.

Impacts of Inflation and High Interest Rates
Inflation is a key assumption in the Fund's triennial valuation and therefore potentially impacts the valuation disclosure in Note 27 and the Going Concern assumption (Note 3). The valuation was scrutinised by Joint Pensions Committee and discussion testing the long term assumption for inflation has been minuted. The actuarial view is that while inflation is at a 40 year high this is a short term position only and therefore has a much lower impact over the long term investment horizon of the Fund. The actuary's valuation takes account of the use of September CPI to annually inflate benefit payments and again while this is projected to have an immediate impact on cashflows (see 3 year cash flow budget) the long and short term impacts are built into the relevant projections.

Likewise the current interest rate levels and likely duration at this level (which is linked to inflation assumptions) have been considered in the triennial valuation and shorter term cash flow projections (where prudence has also been considered).

Private Debt and Infrastructure investments (Level 3 Investments)
Investments in Private Debt and Infrastructure are recorded at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31 March 2023, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 Closure of the 2019/20 Financial Statements guidance.

PF Note 5 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. The judgements used in assessing asset values where manager valuations at 31st March 2023 are unavailable are detailed in Note 5. The Level 3 assets which rely on professional judgement due to lack of market information are valued at £402.4m (Note 23) and a 1% change in value is £4.0m. The use of currency hedging to mitigate future exchange rate risk is detailed in Note 20. The Fund has opted to disclose the actuarial present value of promised retirement benefits by way of Note 28 and the estimation and assumptions inherent in this calculation therefore has no impact on the Net Asset Statement.

Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made. The items in the Net Asset Statement for which there is a significant risk of material adjustment the following year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible the fund valuer uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £15.6m, on carrying values of £156.1m.

Infrastructure funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets in similar way to property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £20.7m, on carrying values of £207.0m.
Private debt funds	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation, which relies on valuation of the underlying assets which are high yield debt instrument.	Changes in the valuation assumptions used, together with significant changes in credit rating of the counterparties could affect the fair value of debt-based investments by up to 10% i.e. an increase or decrease of £19.5m, on carrying values of £195.4m.

PF Note 6 - Events After the Reporting Date

The figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of any information received post 31 March 2023 which reflect conditions as at the 31 March 2023. None of the information received gave rise to material changes and there no changes have been made.

The value of infrastructure and private debt assets in the accounts is estimated using the manager's valuation of 31 December updated for cash flows from 1 January to 31 March 2023 where manager valuations were not available while preparing the accounts.
The managers' valuations at 31 March 2023 were received during May 2023 with the exception of one infrastructure manager. The accounts therefore only include one estimated valuation for that manager. If this is received prior to or during the audit it will be disclosed below for information

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

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

While there has been no single event having a significant impact on markets and therefore the fair value of the investments, there have been interest rate increases and other market movements in relation to the economic environment. There have also been capital calls from private asset managers and other normal movements in balances. The Fund had asset values of £2.758bn at 31 March 2023 and £2.762bn at 30 April 2023 (the latest available pricing). While the valuation at 31st March remains correct, the current value is included for information.

A bulk transfer of the Richmond upon Thames College employer to LB Hillingdon pension fund has been agreed with effect from 1 April 2023. The initial estimate of the asset value to be transferred is in the region of £42m. This will reduce the value of investments held by the Fund and recognised in the Net Asset Statement for next financial year, once the transfer is finalised. The Fund does not recognise the obligation to pay benefits (see PF Note **1**) other than in Note 28 so the asset reduction of £42m is the only impact on the Net Asset Statement.

PF Note 7 - Contributions Receivable

31st March 2022 £000		31st March 2023 £000
(17,095)	**Employees' Contributions**	**(18,607)**
(49,219)	Normal Contributions	(53,026)
(743)	Deficit Recovery Contributions	(705)
(1,315)	Augmentation Contributions	(1,354)
(51,277)	**Employers' Contributions**	**(55,085)**
(68,372)	**Total Contributions by Category**	**(73,692)**
(50,308)	Councils (LBRuT & WBC)	(53,884)
(10,114)	Scheduled Bodies	(11,543)
(2,955)	Admitted Bodies	(2,602)
(4,995)	Designated Bodies	(5,663)
(68,372)	**Total Contributions by Body**	**(73,692)**

PF Note 8 - Transfers In from Other Pension Funds

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

The £0.7m group transfer in 2021/22 relates to the residual value of Royal Borough of Windsor & Maidenhead's staff joining Achieving for Children who are a scheme employer. There were no group transfers during 2022/23.

PF Note 9 - Benefits Payable

31st March 2022 £000		31st March 2023 £000
69,651	Pensions	72,684
9,604	Commutation and Lump Sum Retirement Benefits	10,224
1,150	Lump Sum Death Benefits	1,733
80,405	**Total Benefits by Category**	**84,641**
72,635	Councils (LBRuT & WBC)	76,023
3,374	Scheduled Bodies	3,984
3,587	Admitted Bodies	3,931
809	Designated Bodies	703
80,405	**Total Benefits by Body**	**84,641**

PF Note 10 - Payments To and On Account of Leavers

31st March 2022 £000		31st March 2023 £000
268	Refund to Members Leaving Service	348
0	Group Transfers	0
9,692	Individual Transfers	13,802

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

PF Note 11 - Management Expenses

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

Administrative Costs for 2021/22 included a one-off item relating to a prior year.

Oversight & Governance Costs have increased due to the triennial valuation work undertaken in 2022/23.

2021/22 Detail of Investment Management Expenses	Total £000	Management Fees £000	Performance Fees £000	Transaction Costs £000
Bonds				
Allianz (ex-Rogge)	283	283		
Equity				
River & Mercantile (to November 2021)	410	150		260
Pooled Property				
Aberdeen	10	10		
CCLA	30	30		
Janus Henderson managed Nuveen UKPF (to February 2022)	525	525		
Legal & General	124	124		
Nuveen (UKPF) (from February 2022)	88	48	40	
Schroders *	430	430		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,458	1,458		
LCIV Global Equity Focus - Longview	2,114	2,114		
LCIV Legal & General passive overlay	27	27		
LCIV Sustainable Equity - RBC	566	566		
UBS	29	29		
Pooled Multi-Asset				
CQS	429	429		
LCIV MAC - CQS	406	406		
LCIV Diversified Growth Fund - Baillie Gifford	0	0		
Legal & General Multi Asset	162	162		
Oakhill	1,003	894	109	
Pooled Infrastructure				
JP Morgan	616	548	68	
Pantheon	436	436		
LCIV Renewable Infrastructure	832	832		
Pooled Private Debt				
Brightwood	164	164		
Churchill	360	360		
Permira	296	296		
Derivatives - Currency Hedging for risk management				
Russell	144	144		
London LCIV Fixed Costs	110	110		
Other	0	0		
Total paid to Fund Managers	**11,052**	**10,575**	**217**	**260**
Custodian - Custody Fees	56			
Administering Authority monitoring cost	77			
Total Investment Management Expenses	**11,185**			

2022/23	Total	Management Fees	Performance Fees	Transaction Costs
Detail of Investment Management Expenses	**£000**	**£000**	**£000**	**£000**
Bonds				
Allianz (ex-Rogge)	230	230		
Janus Henderson	55	55		
Equity				
River & Mercantile *contract ended November 2021*	0	0		0
Pooled Property				
Aberdeen *contract ended March 2022*	0	0		
CCLA	31	31		
Janus Henderson managed Nuveen UKPF	0	0		
Legal & General	133	133		
Nuveen (UKPF)	510	278	232	
Schroders *	387	387		
Pooled Equity				
LCIV Global Alpha Growth - Baillie Gifford	1,152	1,152		
LCIV Global Equity Focus – Longview	2,136	2,136		
LCIV Legal & General passive overlay	27	27		
LCIV Sustainable Equity – RBC	964	964		
UBS *contract ended January 2022*	0	0		
Pooled Multi-Asset				
CQS *transferred to LCIV from February 2022*	0	0		
LCIV Alternative Credit Fund - CQS	639	639		
Legal & General Multi Asset	172	172		
Oakhill	749	717	32	
Pooled Infrastructure				
JP Morgan	878	617	261	
Pantheon	474	474		
LCIV Renewable Infrastructure	1,030	1,030		
Pooled Private Debt				
Brightwood	192	192		
Churchill	566	566		
Permira	472	472		
Derivatives - Currency Hedging for risk management				
Russell	160	160		
London LCIV Fixed Costs	110	110		
Other – Balance of Estimated Fees	(21)	(21)		
Total paid to Fund Managers	**11,046**	**10,521**	**525**	**0**
Custodian - Custody Fees	46			
Administering Authority monitoring cost	107			
Total Investment Management Expenses	**11,199**			

Transaction costs are defined as direct incremental costs of acquiring an asset, such as broker's commission. These are only available for segregated investments. Pooled investments report returns net of these direct costs due to the nature of the investment vehicle.

Administering Authority monitoring costs are an allocation of administering authority staff costs relating to monitoring investments.

* The Fund incurred £16k of commission on the acquisition of units in Schroders' property fund in 2022/23 (£100k in 2021/22) which were capitalised and therefore not included in Management Costs in the Fund Account.

PF Note 12 - Investment Income

2021/22 £000		2022/23 £000
	Income from	
(3,871)	Equity	(5)
(6,167)	Bonds	(6,308)
(9,878)	Pooled Equity	(13,725)
(3,653)	Pooled Bonds	(2,101)
(5,418)	Pooled Property	(6,711)
(10,003)	Pooled Infrastructure	(9,487)
(6,903)	Pooled Private Debt	(10,874)
(16)	Cash Deposits	(1,440)
(45,909)	**Total Investment Income**	**(50,651)**
	Taxes on Income	
28	Overseas Withholding Tax on Equities	0
0	Overseas Withholding Tax on Bonds	237
241	Overseas Withholding Tax on Pooled Vehicles	260
269	**Total Taxes on Income**	**497**

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

PF Note 13 - External Audit Costs

31st March 2022 £000		31st March 2023 £000
21	Payable in respect of external audit	21
24	Prior Year Fee Adjustment (2019/20)	0
(4)	Prior year Fee Rebate	0
41		**21**

The Fund has been in discussion with external audit regarding additions to the PSAA scale fee in relation to costs of Covid working and changes to audit guidance in respect of Level 3 asset valuations, among other areas. PSAA have now agreed an amendment to the 2019/20 audit fee. While it is anticipated there will be a similar amendment to the 2020/21 and 2021/22 fee, this cannot be reliably estimated at this time.

PF Note 14 - Investments

31st March 2022 £000		31st March 2023 £000
	Investment Assets	
219,195	Bonds	174,935
-	Pooled Funds	-
1,719,827	- Equity	1,555,450
415,721	- Fixed Income	362,207
184,660	- Property	156,097
161,572	- Infrastructure	207,047
131,057	- Private debt	195,366
	Derivative Contracts	
753	- Futures	285
2,291	- Forward currency contracts	11,224
2,518	Cash Collateral	7,062
3,098	Investment Income Due	3,974
0	Amounts Receivable for Sales	405
0	Amounts Receivable for Pending Spot FX	0
2,840,692	**Other Investment Assets**	**2,674,052**
50,695	Cash Deposits	92,497
2,891,387	**Total Investment Assets**	**2,766,549**
	Investment Liabilities	
	Derivative Contracts	
(143)	- Futures	(658)
(17,331)	- Forward currency contracts	(547)
(6,903)	Amounts Payable for Purchases	(1,375)
(2,408)	Other Investment Liabilities	(7,788)
(26,785)	**Total Investment Liabilities**	**(10,368)**
2,864,602	**Net Investment Assets**	**2,756,181**

Following the revision of the Investment Strategy Statement in 2020, the Fund has been holding equity and fixed income (specifically Multi Asset Credit) investments above the new target allocation pending capital calls from infrastructure and private debt managers. These private asset managers have drawn down significant amounts in year and the equity and fixed income investments have been reduced to fund this.

PF Note 15 - Reconciliation of Movements in Investments and Derivatives

Asset Category	Market Value 1 April 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2022
	£000	£000	£000	£000	£000
Equities	195,332	27,802	(234,895)	11,761	0
Bonds	219,410	119,669	(106,532)	(13,352)	219,195
Pooled Equity	1,529,368	388,276	(301,957)	104,140	1,719,827
Pooled Bonds	354,449	86,815	(28,382)	2,839	415,721
Pooled Property	106,409	52,517	(28)	25,762	184,660
Infrastructure	115,999	50,673	(11,249)	6,149	161,572
Private debt	103,457	26,363	(3,538)	4,775	131,057
Investments excl. Derivatives	**2,624,424**	**752,115**	**(686,581)**	**142,074**	**2,832,032**
Derivative Contract:					
Futures	293	2,161	(1,869)	25	610
Forward Currency Contracts	6,282	54,461	(42,402)	(33,381)	(15,040)
	2,630,999	**808,737**	**(730,852)**	**108,718**	**2,817,602**
Other Investment Balances:					
Cash Deposits	105,288			287	50,695
Amount Receivable for Sales & Investments	1,291			0	0
Investment Income Due	3,563			0	3,098
Spot FX Contracts	0			(47)	0
Amount Payable for Purchases of Investments	(3,163)			(1)	(6,903)
Cash Collateral	(246)			0	2,518
Obligation to Return Cash Collateral	0				(2,408)
Total Net Investments	**2,737,732**			**108,957**	**2,864,602**
Profit/(Loss) on Disposal of Investment and changes in Market Value				**108,957**	

Purchases and sales of derivatives are recognised as follows:

- Futures – on close out or expiry the variation margins are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts settlements are reported as gross receipts and payments.

Asset Category	Market Value 1 April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31 March 2023
	£000	£000	£000	£000	£000
Equities	0	0	0	0	0
Bonds	219,195	86,396	(92,693)	(37,963)	174,935
Pooled Equity	1,719,827	6,768	(141,607)	(29,538)	1,555,450
Pooled Bonds	415,721	563	(33,557)	(20,520)	362,207
Pooled Property	184,660	3,686	(1)	(32,248)	156,097
Infrastructure	161,572	34,062	(13,979)	25,392	207,047
Private debt	131,057	59,127	(3,501)	8,683	195,366
Investments excl. Derivatives	**2,832,032**	**190,602**	**(285,338)**	**(86,194)**	**2,651,102**
Derivative Contract:					
Futures	610	3,093	(3,718)	(358)	(373)
Forward Currency Contracts	(15,040)	188,657	(109,267)	(53,673)	10,677
	2,817,602	**382,352**	**(398,323)**	**(140,225)**	**2,661,406**
Other Investment Balances:					
Cash Deposits	50,695			45	92,497
Amount Receivable for Sales & Investments	0			0	405
Investment Income Due	3,098			0	3,974
Spot FX Contracts	0			66	0
Amount Payable for Purchases of Investments	(6,903)			3	(1,375)
Cash Collateral	2,518			0	7,062
Obligation to Return Cash Collateral	(2,408)				(7,788)
Total Net Investments	**2,864,602**			**(140,111)**	**2,756,181**
Other changes in balances recognised in the Fund Account					
Profit/(Loss) on Disposal of Investment and changes in Market Value				**(140,111)**	

PF Note 16 - Investments Analysed by Fund Manager

Market Value 31st March 2022			Market Value 31st March 2023	
£000	%		£000	%
		Pooled Via London LCIV		
452,003	15.8	London LGPS LCIV (Global Equity Focus Longview)	477,736	17.3
22	0.0	London LGPS LCIV (Allianz Global Equity)	0	0.0
361,611	12.6	London LGPS LCIV (Global Alpha Growth Baillie Gifford)	342,259	12.4
272,568	9.5	London LGPD LCIV (Sustainable Equity Fund RBC)	251,711	9.1
167,467	5.8	London LGPS LCIV (Alternative Credit CQS)	146,449	5.3
30,433	1.1	London LGPS LCIV (Renewable Infrastructure)	48,692	1.8
1,284,104		**Pooled total**	**1,266,847**	
		Direct		
6	0.0	River & Mercantile (UK Equity)*	0	0.0
67,554	2.4	UBSGAM (Passive Multi-Asset)	0	0.0
630,680	22.0	L&G (Passive Multi-Asset & Pooled Property)	541,088	19.6
223,174	7.8	Allianz (Enhanced Bonds)*	188,514	6.9
37,024	1.3	Janus Henderson (Pooled Bonds)	33,191	1.2
162,861	5.7	Oakhill (Multi-Asset Credit)	138,958	5.1
28	0.0	Aberdeen (Property Pooled Vehicle)	0	0.0
48,164	1.7	Nuveen Real Estate UKPF (Pooled Property)	41,939	1.5
5,049	0.2	CCLA / LAMIT (Pooled Property)	4,216	0.2
110,194	3.8	Schroders SCREF (Pooled Property)	92,082	3.3
48,613	1.7	Northern Trust (Custodian)	81,206	3.0
(15,044)	(0.5)	Russell Investments (FX Overlay)*	14,343	0.5
87,141	3.0	JP Morgan Asset Management (Infrastructure)	101,156	3.7
43,998	1.5	Pantheon Ventures (Infrastructure)	57,210	2.1
20,313	0.7	Brightwood (Private Debt)	23,199	0.8
51,802	1.8	Churchill (Private Debt)	88,909	3.2
58,941	2.1	Permira Advisors LLP (Private Debt)	83,323	3.0
1,580,498	**100.0**	**Direct total**	**1,489,334**	**100.0**
2,864,602		**Total Net Investments**	**2,756,181**	

* Segregated assets. All other assets are pooled

The following investments represent over 5% of the net assets of the Fund. All of these companies are registered in the UK.

Market Value 31st March 2022			Market Value 31st March 2023	
£000	%		£000	%
566,331	19.8	GPEV - FW GLOBAL EQUITY INDEX GBP OFC.	484,003	17.6
451,863	15.8	London LGPS LCIV (Longview Global Equity)	477,584	17.3
361,511	12.6	London LGPS LCIV (Baillie Gifford Global Equity)	342,153	12.4
272,568	9.5	RBC Global Asset Management Sustainable Equity	251,711	9.1
162,860	5.7	OHA Diversified Cr Strtgs Fund	146,442	5.3
167,467	5.8	London LGPS LCIV CQS (Multi-Asset Credit)	138,948	5.0
1,982,600	**69.2**	**Total Investment Assets**	**1,840,841**	**66.7**

PF Note 17 - Stock Lending

Stock lending is normally prohibited in segregated investment management agreements.

PF Note 18 - Property Holdings

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

PF Note 19 - Analysis of Derivatives

Objectives and Policies for Holding Derivatives

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

In addition to derivatives contained within pooled vehicles (such as the Multi-Asset Credit funds) the Fund uses derivatives in :
(1) the Allianz Global Investors bond mandate, largely to mitigate "off-benchmark" risks that are a feature of the manager's permitted investment approach
(2) in a strategic currency hedging programme ("Passive Currency Overlay / PCO") implemented by Russell Investments, which is described below

a) Futures

The Fund holds futures as part of the fund managers' interest rate risk management strategy. Outstanding exchange traded futures contracts are as follows:

Economic Exposure £000	Market Value 31st March 2022 £000	Type	Expires	Economic Exposure £000	Market Value 31st March 2023 £000
		Assets			
0	0	UK Fixed Income Futures	< 1 Year	13,332	285
(32,023)	753	Overseas Fixed Income Futures	< 1 Year	0	0
	753	**Total Assets**			**285**
		Liabilities			
13,214	(143)	UK Fixed Income Futures	< 1 Year	0	0
0	0	Overseas Fixed Income Futures	< 1 Year	(25,958)	(658)
	(143)	**Total Liabilities**			**(658)**
	610	**Net Futures**			**(373)**

b) Forward Foreign Currency

The Pension Fund entered into a passive currency hedging programme in May 2018 to manage risk, and not for speculation purposes. Hedge instruments are purchased to manage exchange rate risk in foreign currency denominated investments only. This is to support the Fund's choice to invest overseas to enhance diversification and achieve exposure to geographical returns outside the UK. The Fund hedges to remove the risk of adverse currency movement impacting this strategy.

The following arrangements were in place during 2022/23:

Financial instrument	How this has been applied to manage risk	Possible impact on future cash flows
Exchange rate hedge - Forward foreign exchange contracts	Mitigate the risk that adverse movements on foreign exchange rates will affect the carrying value and investment income relating to pooled funds including quoted overseas equities. Settlement is calculated at the contract end date based on the difference between spot rate and forward rate on a specified basket of currencies.	**Error! Reference source not found.** shows the impact of 10% potential market movement in exchange rates. For a 10% reduction in exchange rates, the hedge would cover a loss of £107.7m (£103.8m in 21/22).

The details of the passive currency hedging implementation within the Fund based on the currency the investment is in are as follows:

Asset Class	Methodology
Global Equity	50% of notional currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards. The currencies are hedged according to the MSCI World Index allocations (rather than by reference to underlying actual exposures, where these may differ). Proxies for certain currencies are used where considered appropriate.
Infrastructure	50% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.
Private Debt	100% of the currency exposure is hedged using rolling up to 4-month OTC (Non-Collateralised) Currency Forwards.

The accuracy of the hedge is reliant on changes to asset values being communicated in a timely manner, and it is therefore accepted that the hedge may be up to 5% variant to the target at any point.
Infrastructure and private debt managers may also use currency hedging within their pooled vehicles.

Open Forward Foreign Currency Contracts are as follows:

Settlements	Currency Bought	Local Value of Currency Bought £000	Currency Sold	Local Value of Currency Sold £000	Asset Value £000	Liability Value £000
< 1 month	AUD	2,175	GBP	(1,226)	0	(47)
< 1 month	CAD	2,642	GBP	(1,586)	0	(8)
< 1 month	CHF	426	GBP	(378)	0	0
< 1 month	EUR	3,748	GBP	(3,319)	0	(23)
< 1 month	GBP	291,336	USD	(359,688)	576	0
< 1 month	GBP	11,694	JPY	(1,861,480)	344	(1)
< 1 month	GBP	5,278	CAD	(8,710)	74	0
< 1 month	GBP	4,631	AUD	(8,091)	247	0
< 1 month	GBP	1,180	SEK	(14,800)	25	0
< 1 month	GBP	22,000	EUR	(24,847)	149	0
< 1 month	GBP	6,095	CHF	(6,883)	0	(11)
< 1 month	GBP	742	SGD	(1,208)	7	0
< 1 month	GBP	8,994	HKD	(86,691)	55	0
< 1 month	HKD	21,651	GBP	(2,245)	0	(13)
< 1 month	JPY	1,147,100	GBP	(7,228)	0	(233)
< 1 month	SEK	14,810	GBP	(1,165)	0	(9)
< 1 month	SGD	5	GBP	(3)	0	0
< 1 month	USD	45,734	GBP	(36,998)	0	(28)
1-6 months	AUD	724	GBP	(394)	0	(1)
1-6 months	CHF	410	GBP	(368)	0	(3)
1-6 months	EUR	3,622	GBP	(3,199)	0	(6)
1-6 months	GBP	75,275	EUR	(85,245)	221	(10)
1-6 months	GBP	489,437	USD	(596,789)	7,517	0
1-6 months	GBP	2,274	SGD	(3,687)	30	0
1-6 months	GBP	22,364	CAD	(36,696)	443	(2)
1-6 months	GBP	17,238	CHF	(19,198)	157	0
1-6 months	GBP	14,507	AUD	(25,583)	637	0
1-6 months	GBP	46,658	JPY	(7,533,571)	547	0
1-6 months	GBP	9,066	SEK	(113,518)	195	0
1-6 months	HKD	8,962	GBP	(943)	0	(18)
1-6 months	JPY	341,926	GBP	(2,163)	0	(62)
1-6 months	SGD	194	GBP	(119)	0	(1)
1-6 months	USD	2,910	GBP	(2,421)	0	(71)
Open Forward Currency Contracts at 31st March 2023					**11,224**	**(547)**
Net Forward Currency Contracts at 31st March 2023						**10,677**
Prior year comparative:						
Open Forward Currency Contracts at 31st March 2022					**2,290**	**(17,330)**
Net Forward Currency Contracts at 31st March 2022						**(15,040)**

PF Note 20 - Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

LCIV Long Term Capital is not held for investment purposes, it represents the Fund's commitment to the London Collective Investment Vehicle (LCIV) which was made for operational reasons to allow the Fund to access LCIV investments and obtain the benefits of pooled investment. It is therefore carried at cost.

Unquoted private debt and infrastructure are valued at fair value as reported by the relevant fund managers. Where the latest reporting period is not 31st March 2023, this value has been amended for calls and distributions since the reporting period in line with CIPFA Bulletin 05 guidance.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.
Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.
Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below:

	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level 1			
Cash Deposits	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Cash Collateral	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Equities	Published bid market price on the final day of the accounting period	Not Required	Not Required
Bonds	Quoted market value based on current yields	Not Required	Not Required
Short term debtors and creditors (investment and trade)	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Level 2			
Pooled equity and bond Investments	Published bid market price on the final day of the accounting period	Not Required	Not Required
Pooled Property Investments	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Level 3			
Pooled Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows or default in the underlying loans.
Pooled Infrastructure	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool	Valuations could be affected by changes to expected cashflows,

	default by counterparties or site issues.

Sensitivity of assets valued at Level 3
Having consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023:

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

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

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. As such, significant market volatility could result in larger movements in market price than set out above. The volatility assumptions displayed are based on option-implied market volatility, where available, with an allowance for the historical tendency of option-implied volatility to overestimate subsequent experienced volatility.

PF Note 21 - Fair Value Hierarchy

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

	31st March 2022			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss				
- Bonds	219,195	0	0	219,195
- Pooled Equity	0	1,719,827	0	1,719,827
- Pooled Bonds	0	415,721	0	415,721
- Pooled Property	0	184,660	0	184,660
- Infrastructure	0	0	161,572	161,572
- Private Debt	0	0	131,057	131,057
- Derivative Assets	0	3,044	0	3,044
- Cash deposits	50,695	0	0	50,695
- Other investment assets	2,518	0	0	2,518
- Investment income due	0	3,098	0	3,098
- Amounts Receivable for Sales	0	0	0	0
	272,408	**2,326,350**	**292,629**	**2,891,387**
Financial Liabilities				
Fair value through profit and loss				0
Payable for investment purchases	0	(6,903)	0	(6,903)
Other investment liabilities	(2,408)	0	0	(2,408)
Derivative liabilities	0	(17,474)	0	(17,474)
	(2,408)	**(24,377)**	**0**	**(26,785)**
Total	**270,000**	**2,301,973**	**292,629**	**2,864,602**

	31st March 2023			
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss				
- Bonds	174,935	0	0	174,935
- Pooled Equity	0	1,555,450	0	1,555,450
- Pooled Bonds	0	362,207	0	362,207
- Pooled Property	0	156,097	0	156,097
- Infrastructure	0	0	207,047	207,047
- Private Debt	0	0	195,366	195,366
- Derivative Assets	0	11,509	0	11,509
- Cash deposits	92,497	0	0	92,497
- Other investment assets	7,062	0	0	7,062
- Investment income due	0	3,974	0	3,974
- Amounts Receivable for Sales	0	405	0	405
	274,494	**2,089,642**	**402,413**	**2,766,549**
Financial Liabilities				
Fair value through profit and loss	0	0	0	0
Payable for investment purchases	0	(1,375)	0	(1,375)
Other investment liabilities	(7,788)	0	0	(7,788)
Derivative liabilities	0	(1,205)	0	(1,205)
	(7,788)	**(2,580)**	**0**	**(10,368)**
Total	**266,706**	**2,087,062**	**402,413**	**2,756,181**

Transfers between Levels 1 and 2

No assets have transferred between levels during the reporting period.

PF Note 22 - Reconciliation of Fair Value Measurements within Level 3

The following table shows the movement between the opening and closing value of Level 3 instruments:

	Infrastructure	Private Debt	Total
	£000	**£000**	**£000**
Value 31st March 2021	**115,999**	**103,457**	**219,456**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	50,673	26,363	**77,036**
Sales & Derivative Receipts	(11,249)	(3,538)	**(14,787)**
Unrealised Gains / (Losses)	4,745	4,907	**9,652**
Realised Gains / (Losses)	1,404	(132)	**1,272**
Value 31st March 2022	**161,572**	**131,057**	**292,629**

	Infrastructure	Private Debt	Total
	£000	**£000**	**£000**
Value 31st March 2022	**161,572**	**131,057**	**292,629**
Transfers In	0	0	**0**
Transfers Out	0	0	**0**
Purchases & Derivative Payments	34,062	59,128	**93,190**
Sales & Derivative Receipts	(13,979)	(3,501)	**(17,480)**
Unrealised Gains / (Losses)	22,278	8,422	**30,700**
Realised Gains / (Losses)	3,114	260	**3,374**
Value 31st March 2023	**207,047**	**195,366**	**402,413**

PF Note 23 - Classification of Financial Instruments

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

PF Note 24 - Net Gains & Losses on Financial Instruments

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

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

2021/22 £000		2022/23 £000
	Financial Assets	
142,074	Fair value through profit and loss	(86,194)
287	Amortised cost - Realised gain on derecognition of assets	114
	Amortised cost - Unrealised gain	
142,361		**(86,080)**
	Financial Liabilities	
(33,356)	Fair value through profit and loss	(54,031)
(48)	Amortised cost - Realised gain on derecognition of assets	0
	Amortised cost - Unrealised gain	
(33,404)		**(54,031)**
108,957	**Net Gain/(Loss) on Financial Instruments**	**(140,111)**

PF Note 25 - Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

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

The Fund advisors consider asset volatility and a range of potential market movements when setting the Investment Strategy and asset allocations. This includes assessing the overall volatility for any proposed asset allocations taking into account any correlation (positive and negative) between asset classes when ensuring the proposals are within the Fund's appetite for risk and the trade-off between risk and the return required to achieve full funding as assessed in the triennial valuation. This is reviewed at least every 3 years (after valuation) and more frequently if Members have concerns.

The Fund does not hold any fully passive investments but does invest in passive like global equity and bond funds (£774.4m or 28.1% of investments at 31st March) and has accepted the market risk required for passive like investment.

All other assets are actively managed. Active manager will be evaluating and managing risk as part of their investment decision making processes. This will include the risks related to recent market volatility and a rising interest rate and inflationary environment. Fund managers will have access to wider information sources and professional expertise than officers and while officers will ensure they understand and challenge the processes used by fund managers in their investment decisions, they will not be over-ridden.

All investment assets are carried at fair value and fund managers undertake this valuation at least quarterly so year-end values will include any known impairment or gain and the impact of market sentiment on pricing.

Responsibility for the Fund's risk management strategy rests with the Joint Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations, and reviewed regularly to ensure they reflect changes in activity and market conditions.

a) Market risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors, asset classes and manager styles. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of the Fund's assets, looking at overall returns against the actuarial assumptions and the Fund's own appetite for risk and volatility. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

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

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

Other price risk – sensitivity analysis
In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value at 31st March 2022	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Fixed Interest Gilts	6,975	7.2%	7,477	6,473
UK Index-Linked Gilts	38,361	9.6%	42,043	34,678
UK Non-Government Bonds	223,136	7.1%	238,978	207,293
Overseas Bonds	36,117	8.3%	39,116	33,119
Multi-Asset Credit	330,327	10.7%	365,672	294,982
UK Equities	67,553	16.7%	78,833	56,272
Overseas Equities	1,652,274	18.2%	1,952,988	1,351,560
Pooled Property Investments	184,660	14.1%	210,697	158,624
Private Debt	131,057	12.2%	147,046	115,069
Infrastructure	161,572	15.0%	185,808	137,337
Total Assets Invested excluding derivatives, other investments and cash	**2,832,032**		**3,268,658**	**2,395,407**

Asset type	Value at 31st March 2023	Potential Market Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
UK Fixed Interest Gilts	4,088	7.6%	4,399	3,777
UK Index-Linked Gilts	0	0.0%	0	0
UK Non-Government Bonds	217,125	7.5%	233,408	200,841
Overseas Bonds	30,539	8.6%	33,166	27,913
Multi-Asset Credit	285,390	10.9%	316,498	254,282
UK Equities	0	0.0%	0	0
Overseas Equities	1,555,450	18.1%	1,836,986	1,273,914
Pooled Property Investments	156,097	14.0%	177,951	134,244
Private Debt	195,366	13.0%	220,764	169,969
Infrastructure	207,047	15.4%	238,932	175,163
Total Assets Invested excluding derivatives, other investments and cash	**2,651,102**		**3,062,104**	**2,240,103**

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

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis
The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. Interest rates are not currently expected to move more than 100 basis points (1%) from one year to the next and experience suggests that such movements are unlikely.

The analysis below assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. An increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

	Asset Value 31st March 2022	Impact of 1%	
		Increase	Decrease
	£000	£000	£000
Asset Type			
Cash and Cash Equivalents	60,703	607	(607)
Bonds	219,195	2,192	(2,192)
Fixed Income Pooled Funds	415,721	4,157	(4,157)
Total	**695,619**	**6,956**	**(6,956)**

	Asset Value 31st March 2023	Duration	Impact of 1%	
			Increase	Decrease
	£000		£000	£000
Asset Type				
Cash	94,163	n/a	n/a	n/a
UK Fixed Interest Gilts	4,088	9.2	(376)	376
UK Non-Government Bonds	217,125	5.8	(12,593)	12,593
Overseas Bonds	30,539	6.9	(2,107)	2,107
Multi-Asset Credit	285,390	1.0	(2,854)	2,854
Total	**631,305**		**(17,930)**	**17,930**

This disclosure has been expanded to include more detailed analysis as the significant recent volatility in interest rates due to the geopolitical environment suggests that more information should be shown on this risk. It is impracticable to undertake this exercise for prior year comparatives.
For bonds and similar investments, the duration needs to be applied to calculate the impact of rate changes on fixed rate investments based on time to maturity and the fixed rate.

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

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

While the fair value of fixed interest investments will change as changes in interest rates make the fixed rate return more or less attractive to investors, the interest receivable will not change. These are therefore excluded from the second set of tables.
Private debt is included as while carrying value will not change directly with interest rate changes, the debt is variable rate and so income will change.

Currency risk
Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset Value at 31st March 2022	Potential Market Movement	Value on Increase	Value on Decrease
Assets Exposed to Currency Risk	**£000**	**(+/-)**	**£000**	**£000**
Overseas Bonds	36,117	10.0%	39,729	32,505
Overseas Equities *	1,652,273	10.0%	1,817,500	1,487,046
Overseas Infrastructure	161,572	10.0%	177,729	145,415
Overseas Private Debt	131,057	10.0%	144,163	117,951
Total	**1,981,019**		**2,179,121**	**1,782,917**

Assets Exposed to Currency Risk	Asset Value at 31st March 2023 £000	Potential Market Movement (+/-)	Value on Increase £000	Value on Decrease £000
Overseas Bonds	30,539	10.0%	33,593	27,485
Overseas Equities	1,555,450	10.0%	1,710,995	1,399,905
Overseas Infrastructure	207,047	10.0%	227,752	186,342
Overseas Private Debt	195,366	10.0%	214,903	175,829
Total	**1,988,402**		**2,187,243**	**1,789,561**

It should be noted that the Fund has a passive currency hedging programme in place to hedge approximately a 50% proportion of overseas currency exposure on its equity and infrastructure investments and approximately 100% of currency exposure on its Multi-Asset Credit and Private Debt investments. Therefore the gains and losses on the sterling value of overseas assets quoted above will be offset by the currency hedging arrangement, reducing the volatility associated with foreign exchange rate movements.

b) Credit risk
Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

The Fund has also set a limit of 15% of the total investments to be placed in any one active investment (with LCIV sub funds defined as an investment for this risk control purpose). The Fund has a limit of 25% of total investments with any single manager (with LCIV sub funds defined as a manager for this purpose).
The Fund explicitly accepts credit risk in some of its investment classes, most notably the use of high yield bonds in Multi Asset Credit funds and the Private Debt class. This risk is mitigated by use of a pooled investment vehicle, due diligence by the manager and exposure limits within each pooled vehicle.

The Fund has a 1% allocation to cash in its Investment Strategy (with a tolerance range of 0.5-3% to allow for market movements and cash flow peaks and troughs). The majority of this is held in the custodian’s AAA rated money market fund, which has its own policies to ensure diversification and achieve LVNAV and AAA status. A working balance is held in the Fund’s bank (NatWest) which benefits from significant government ownership. Cash balances are also held by some managers for liquidity purposes, and these are not material.

The Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Balances at 31st March 2022 £000		Credit Rating	Balances at 31st March 2023 £000
	Money Market Funds		
50,690	NTGI Global Cash Fund	AAA	90,572
	Bank Deposit Accounts		
5	Variation margin		1,925
	Bank Current Accounts		
10,008	Held with the Fund's Bank	F1	1,666
60,703	**Total Cash Held**		**94,163**

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a bond or a guarantee before admitting new employers so that all contribution obligations are covered in the event of that employer facing financial difficulties. All monthly contributions due at 31 March 2023 and 31 March 2022 were received in accordance with a monthly payment schedule. This schedule is monitored and non-compliance with agreed schedules is raised with the employer and escalated as appropriate.

Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations and one has given a charge on a property as security for a deferred cessation payment. These guarantees are drawn in favour of the Fund in the event of early termination of an admission agreement and payment will only be triggered in the event of employer default. No such defaults have occurred in 2022/23 or 2021/22.

c) Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund is currently marginally cash flow negative on dealings with members but positive taking into account investment returns being retained as cash rather than reinvested and excluding one-off events such as large transfers.

The Fund ensures liquidity by:

- holding day to day cash in an interest-bearing account with its bank and a Money Market Fund with its custodian, both with daily liquidity
- holding cash balances with investment fund managers which can be returned to the Fund in under a week to meet any major cash outflows (e.g. bulk transfer of staff to another Fund)
- investing in a range of assets and pooled vehicles which could be liquidated with sufficient notice to fund large planned cash outflows
- having an overdraft facility with its bank

The administering authority (Wandsworth Borough Council) is the lender of last resort to the Fund as facilitated by regulations, where the Fund does not have sufficient liquidity to meet its payment commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2023 the value of illiquid assets represented £558.5m, 20.3% of the total fund value (at 31 March 2022 this was £447.3m or 16.7% of the total fund).

Refinancing risk
The key risk is that the Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have the power to borrow long term (only to fund benefit payments or asset allocation changes with repayment within 3 months) and has not borrowed in year so has no exposure to this risk.

PF Note 26 Funding Arrangements
In line with the Local Government Pension Scheme Regulations 2013, the Fund’s actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 although as the valuation work was completed during the year once 31 March data became available, the contributions paid were those set in the 2019 valuation.

The key elements of the funding policy are:

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

Using the agreed assumptions, the Fund had assets sufficient to cover 116% of the accrued liabilities as at 31 March 2022. This shows an improvement since the 2019 valuation where the funding level was 105%.
The Fund has achieved solvency based on current conditions at that date with some margin for adverse change. This overall position does not apply equally to all employers within the Fund with those who joined the Wandsworth Fund when the Richmond Fund was subsumed (1 October 2016) being generally less well funded and therefore requiring deficit payments.

In addition to the primary contribution rate, most employers will also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the website of the Fund's Administering Authority.
The average employer's primary contribution rate across the Fund was :

Year	Rate
2017/18	18.0%
2018/19	18.0%
2019/20	18.0%
2020/21	19.6%
2021/22	19.6%
2022/23	19.6%

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

31st March 2019		31st March 2022
% p.a.	**Assumptions as at**	**% p.a.**
3.6%	Salary Increases	3.9%
2.6%	Pensions Increases (CPI)	2.9%
4.5%	Discount Rate / Return	4.4%

Demographic assumptions

The assumed life expectancy from age 65 is as follows:

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

	Retiring Today:	
21.7 years	- Male	21.0 years
24.3 years	- Female	23.5 years
	Retiring in 20 year :	
23.1 years	- Male	22.3 years
25.8 years	- Female	24.9 years

Mortality assumptions use 2021 Continuous Mortality Investigation (CMI) Model with long term rate of improvement of 1.25% p.a. with 7.0 smoothing parameter and no initial addition to improvements.

Commutation assumption
It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum.

50:50 option
Take up of 50:50 is based on historic member data.

PF Note 27 - Actuarial Present Value of Promised Retirement Benefits

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

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 27). The actuary has also valued ill health and death benefits in line with IAS 19.

The guidance on implementation of the McCloud ruling used for 2021/22 is close enough to the assumptions used in the prior year to make the figures comparable.

31 March 2022 £000		**31 March 2023 £000**
(3,421,408)	Present value of promised retirement benefits	(2,291,412)
2,874,610	Fair value of scheme assets (bid value)	2,757,847
(546,798)	**Net Asset / (Liability)**	**466,435**

The March 2023 figures above are based on employee data collected during the 2022 triennial valuation as opposed to March 2022 figures which were based on 2019 valuation employee details rolled forward. The impact of this update is seen in the Experience gain/(loss) on defined benefit obligations below which is significantly higher for 2022/23 than 2021/22:

31 March 2022 £000		31 March 2023 £000
(686,064)	**Opening Net Asset / (Liability)**	**(546,798)**
(138,668)	Current service cost	(128,588)
(1,177)	Past service costs including curtailments	(951)
94,380	Return on assets less interest	(179,279)
(67,893)	Interest cost	(88,102)
157,278	Change in financial assumptions	1,334,436
0	Change in demographic assumptions	158,786
(8,723)	Experience gain/(loss) on defined benefit obligations	(212,791)
54,597	Interest on assets	74,603
(1,804)	Administration expenses	(1,470)
51,276	Contributions by employer	56,589
(546,798)	**Closing Net Asset / (Liability)**	**466,435**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 27) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

31 March 2022 % p.a.		31 March 2023 % p.a.
2.60	Discount rate	4.80
3.20	Inflation / pension increase rate assumption	2.95
4.20	Salary increase	3.95

31 March 2022	Life expectancy from age 65 (years)	31 March 2023
	Retiring Today:	
21.6	- Male	21.1
24.3	- Female	23.5
	Retiring in 20 years :	
23.0	- Male	22.3
25.8	- Female	25.0

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance:

- a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £35.2m
- a 0.1% increase in assumed earnings inflation would result in an increase of the pension liability of £2.1m
- a one-year increase in assumed life expectancy would increase the liability by approximately £90.8m.

PF Note 28 - Long Term Debtors

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

PF Note 29 - Current Assets & Liabilities

Balance at 31st March 2022		Balance at 31st March 2023
£000		£000
	Current Assets	
10,008	Cash at Bank	**1,666**
1,328	Contributions Due	1,528
224	Contributions Due from Richmond & Wandsworth	270
189	VAT recovery due	415
91	Overpaid Pensions	151
50	Sundry Debtors	50
1,882		**2,414**
	Current Liabilities	
(84)	Unpaid Benefits	(17)
(87)	Fund Managers' fees	(175)
(1,249)	Amount Due to Richmond & Wandsworth	(908)
(821)	Amount Due to HMRC	(899)
(66)	Pensions Due to Estate of deceased pensioner	(73)
(398)	Sundry Creditors	(583)
(2,705)		**(2,655)**

PF Note 30 - Additional Voluntary Contributions

Some staff choose to invest in Additional Voluntary Contributions (AVCs) with the Prudential, Clerical Medical or Utmost Life and Pensions. AVCs are entirely separate from the Fund Accounts but are reported here in a note in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions Paid 2021/22	Market Value 31st March 2022		Contributions Paid 2022/23	Market Value 31st March 2023
£000	£000	Provider	£000	£000
20	723	Clerical Medical	18	550
0	604	Utmost	0	505
247	2,916	Prudential *	tba	tba
267	**4,243**		**tba**	**tba**

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

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

PF Note 31 - Agency Services

The Wandsworth Pension Fund pays discretionary awards to former employees of London Borough of Richmond and some associated employers of the ex-LB Richmond Fund to which this Fund is the successor body. The amounts paid are fully reclaimed from the employer bodies. These payments all relate to historic decisions. New discretionary awards are funded by capitalised strain costs paid by the employer at the point of award and the number and value of these payments should therefore decline over time.

The amount paid on behalf of LB Richmond for 2022/23 was £0.841m (£0.818m in 2021/22), with payments on behalf of other employers totalling £219k in 2022/23 (£137k in 2021/22).

PF Note 32 - Related Party Transactions

Governance (Control of the Fund)
In 2016/17 the London Borough of Richmond upon Thames (RuT) Pension Fund was merged into the Wandsworth Borough Council (WBC) Pension Fund to facilitate the Shared Staffing Arrangement (SSA) being set up by the two councils. Under the SSA all former LBR and WBC staff are now jointly employed by both councils.

This merged fund is controlled by the Joint Pensions Committee with six members appointed by WBC and three members by RuT. Of the nine members serving on the Committee at year end, three members had a deferred benefit in the scheme. Each member of the Pension Fund Committee is required to declare their interests.

In addition, Local Pension Board members during the year, Richard Perry, John Deakins, Peter Quirk and Collette Carter were active members and Chris Jones and Hilary Galloway were pensioners in the Fund during 2022/23.

Wandsworth Council and Richmond Council under the Shared Staffing Arrangement (SSA)
Wandsworth Pension Fund is administered by Wandsworth Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The key officers responsible for the Pension Fund and all jointly employed as part of the SSA:
- Mrs F Merry (Executive Director of Finance)
- Mr P Guilliotti (Director ofFinancial Services)
- Mr M Doyle (Head of Pensions Shared Service)
- Ms C Baxter (Head of Pension Fund Accounting & Investment)

They are all active members of the LGPS as SSA employees. The SSA is also the single largest employer of active members of the Pension Fund. All contributions owing to and due from the Fund were paid in year.

There are also transactions between the Fund and SSA in respect of the services provided in administering and governance of the Fund, and with the Councils as employers in the Fund.

The Councils' charges for administration of and the provision of associated services to the Fund are included in the totals in Note 12.

This includes an element of the salary of the Executive Director of Finance. Their total remuneration is disclosed in the administering authority's accounts due to their role, and this amount is also shown below. As part of their role relates to the management of the Fund, the appropriate proportion of this is included in the administration charges to the Fund (see Note 12).

2022/23	**Salary (including fees and allowances)**	**Employers pension contribution**	**Remuneration including pension contributions**
Director of Finance - F. Merry	113,062	20,351	133,413

This post was renamed in March 23 to reflect a change in focus of the role. The responsibilities for Finance in general and the Pension Fund in particular remain substantively the same.

2021/22	Salary (including fees and allowances)	Employers pension contribution	Remuneration including pension contributions
Director of Resources - F. Merry	109,535	19,716	129,251

The Fund is controlled by Joint Pensions committee which has membership from both councils. The employer's contributions made by both councils and the SSA in year are as follows:

2022/23	WBC	RuT	SSA
Employer's contributions	**£000**	**£000**	**£000**
- Normal	7,662	5,044	26,725
- Deficit	(625)	2,061	(1,800)
- Augmentation (Strain costs)	32	71	760
Total	**7,069**	**7,176**	**25,685**

2021/22	WBC	RuT	SSA
Employer's contributions	**£000**	**£000**	**£000**
- Normal	7,105	4,836	24,667
- Deficit	(580)	2,042	(1,661)
- Augmentation (Strain costs)	218	182	655
Total	**6,743**	**7,060**	**23,661**

Due to the strong relationship between the Council and the Pension Fund, it is deemed necessary to declare Councillor Govindia's interest as non-executive director of the London CIV. The Fund's investments via the LCIV pool are disclosed in PF Note **16**. Under LGPS regulations, the Fund is required to invest via an available regional pool where such exists and offers investments in line with the Fund's investment strategy.

PF Note 33 - Key Management Personnel

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

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

PF Note 34 - Contingent Liabilities and Contractual Commitments

Contractual Commitments
Outstanding capital commitments (investments) at 31 March 2023 were $191m (£154m) compared to US $297m (£226m) at 31 March 2022. The figure for March 2023 includes $95m or £80m committed to energy transition Infrastructure funds as reported to Joint Pensions Committee 16 March 2023. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure and private debt parts of the portfolio. The amounts 'called' by these funds are irregular in size and timing starting from the date of each original commitment until the funds are fully subscribed.

Contingent Liabilities
Eight admitted body employers in the Wandsworth Pension Fund have a Council guarantee to guard against the possibility of being unable to meet their pension obligations. For one ceased employer, cessation costs have been allowed to be spread into the future, but a charge is held on property they own to mitigate the risk, which is currently minimal due to improved funding levels at the 2022 valuation. These guarantees are drawn in favour of the Pension Fund in the event of early termination of an admission agreement and payment will

only be triggered in the event of employer default. No such defaults have occurred in 2022/23 or 2021/22.

PF Note 35 - Accounting Standards Issued but Not Adopted

The Code introduces changes in Accounting Policies which will need to be adopted fully in the 2022/23 financial statements. The Fund is required to disclose information relating to the expected impact of the accounting changes on the financial statements next year.

The following standards are not expected to directly impact the Fund accounts due to the nature of the Fund or its investments:

- IFRS 16 Leases – this standard is not required until 2024 and the Fund does not hold any qualifying leases.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021. This clarifies the difference between accounting policies and accounting estimates.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021. This confirms that materiality applies in disclosing accounting policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021 – this is not applicable as the Pension Fund does not have group accounts.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020 – amendments do not significantly change requirements but include necessary updated references to the latest versions of other standards.

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

Opinion

To follow

ANNUAL GOVERNANCE STATEMENT 2022/23

SCOPE OF RESPONSIBILITY

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

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

Wandsworth Council has an approved code of corporate governance, which is regularly reviewed by the Council's Internal Audit team to ensure that it is in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

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

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

- **Principle 4** Determining the interventions necessary to optimise the achievement of the intended outcomes.
- **Principle 5** Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- **Principle 6** Managing risks and performance through robust internal control and strong public financial management.
- **Principle 7** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council has in place the key officers namely the Chief Executive (Head of Paid Service), the Director of Finance (Section 151 officer under the Local Government Act 1972) and the Monitoring Officer, and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to enable them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Director of 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 enable their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the South London Legal Partnership as required. The Council's Monitoring Officer, in addition to providing high level legal advice, is also a member of the Governance Board for the South London Legal Partnership ensuring that the support provided remains fit for purpose.

All Council Officers are set annual objectives which are directly linked to the Council's behaviours and values and key priorities. Progress against the objectives is monitored throughout the year and formally at an end of year appraisal review.

The Council's Anti-Money Laundering and Anti-Bribery policies, linked to the Whistleblowing Policy and Procedure, were reviewed in October 2021 to ensure that they remain effective in terms of reports of possible fraud or financial irregularities. The Council's complaints system is effective with numbers of complaints and reasons for complaints monitored by Directors and reported to relevant Committees via Departmental Annual Reports.

Ensuring openness and comprehensive stakeholder engagement. The Council remains committed to effective and transparent annual financial and service planning and robust performance management - features independently recognised as being amongst the best of any authority in the country. As such, the key components of the Corporate Business Plan (CBP), including key objectives and a medium-term financial strategy (MTFS) remain integral to the business planning process in Wandsworth and are subject to regular scrutiny. Key objectives and the MTFS were recommended for approval by the Finance Overview and Scrutiny Committee on the 1st of December 2022 and 29th of September 2022, respectively, with the Executive approving both on the 5th of December 2022 and 10th of October 2022, respectively.

The Corporate Plan 2022 to 2026 is published on the Council's website and provides links to the various elements that make up the whole. This ensures that all residents, service users, partners

and businesses continue to know how the Council is performing and can monitor successes or otherwise. The Corporate Plan is available using the following link:
[Corporate Plan 2022 to 2026 - Wandsworth Borough Council]

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

The Council has a well-developed suite of tools for consulting stakeholders and residents, with information provided on the Council's website which also provides regular feedback on meetings and publishes regular magazines and an annual report. The Council's web pages, and its Borough magazine ("Brightside") are available in a number of formats and help is available for stakeholders whose first language is not English. The online consultation portal has been used extensively during the year and where appropriate, other methods are frequently used alongside online consultation, such as face-to-face, telephone and paper forms, thereby ensuring that the widest range of the community is engaged on issues. The Council has a commitment to holding open meetings and committee reports, agendas and minutes are published on the internet. All Committee, Executive, Full Council and Licensing Panel Hearings are streamed, and the webcasts are available to watch on the Council's website for six months, after which they are archived.

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

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

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

During 2022/23, Directors' Board and Lead Members agreed the following changes to strengthen and update the Performance Management Framework. The changes were a development of a streamlined set of directional and benchmarkable Corporate Plan KPIs aligned with the administration's priority commitments and objectives. This approach enables more focused and in depth scrutiny of key areas of service performance at Committees. Also, a new set of Business Critical KPIs were developed purely for reporting to Directors' Board and Lead Members. This set provides them with a line of sight on performance which does not directly relate to the Council's priorities, but which nonetheless has an important impact of maintaining high levels of performance and resident satisfaction. They include timeliness, quality and responsiveness metrics which provide an early warning system about emerging issues and an opportunity to monitor actions implemented in response to performance issues. Reporting these two sets of KPIs to Directors' Board and Lead Members is quarterly with the streamlined Corporate Plan KPIs to Committees bi-annually at the important mid-year (Quarter 2) and end-year (Quarter 4) stages.

In 2019 the Council declared a Climate Emergency, setting a target to be a carbon neutral organisation by 2030 and zero-carbon by 2050. In November 2022, Wandsworth adopted a new net zero borough target of 2043 and during 2022, the Council delivered on key actions in the Climate Action Plan and expanded its engagement and partnership working on climate change.

Social value is embedded into the Council procurement process and Officers consider social value before the commencement of any procurement in order to determine the best procurement approach and to inform the design of the services required. Measurement and outcomes of contracts can include environmental metrics and KPIs.

The Council needs to continue with its engagement and communications plan, that puts partnership working with residents, business, and community groups at the heart of its work to deliver real and sustainable carbon footprint reductions in Wandsworth. The is a challenging endeavour that will have far reaching implications across the Councils operations.

At the end of 2022/23, service planning at a team level was introduced which should strengthen the achievement of service areas objectives and ensure they are aligned to the Council's corporate objectives.

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

The Council recognises that good governance is underpinned by the standards and values of its Members and Officers. The standards and behaviour that are expected are clearly defined. The Council has an agreed standards framework for Members and Officers, which incorporates a local Code of Conduct; there continues to be a stand-alone Standards Committee and a Member complaints process which is within the Constitution. The Council also adopted the Local Government Association's Model Code of Conduct in October 2021 to take effect from the start of the municipal year in May 2022. All these measures are designed to ensure that the current high level of standards is maintained.

There are Members' and Officers' Codes of Conduct, all of which are kept under regular review and are supplemented by guidance. With the move towards being a commissioning council and increased involvement of third parties, and also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflicts of interests. The Code of Conduct for Officers (updated in April 2022 sets out clear and distinct rules in relation to the giving and receiving of gifts and hospitality. The Members' Code is included in the Council's Constitution. Following the local elections in May 2022, training on the Members' Code of Conduct was provided to all Members.

The local elections in May 2022 saw a change in administration at Wandsworth and there have been changes to the membership of the Council Committees with a number of new members who would need to gain experience. Also, a new Chief Executive joined the council, which could result in turnover of other key posts, a change in culture or lead to modification of governance arrangements. Whilst much of this could be positive in strengthening the existing framework of governance, there are risks to the contrary that will need to be acknowledged, monitored, and managed accordingly.

Paper No. 22-71 in February 2022 outlined CIPFA's new Financial Management Code based on six principles – leadership, accountability, transparency, standards, assurance, and sustainability. That report concluded that the Council met all 17 standards, and this has been similarly confirmed for the current financial year.

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

The development needs for Members are seen to be adequately addressed both in terms of induction training and focussed continuous training. Officers have a formal appraisal process where training needs are adequately identified and catered for. The Council offers a full range of management and leadership training, for staff wishing to prepare themselves for future management roles through to senior leaders. There is a New and Aspiring Managers' Programme for those who wish to further develop their skills and knowledge to progress their careers and a Pan London Emerging Leaders Programme for managers, leading to an Institute of Leadership and Management qualification.

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

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

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

The Recover, Deliver, Evolve (RDE) Programme ran from November 2021 to October 2022, when it was 'paused' pending a review of the organisation's new priorities and needs. The RDE Programme's three overarching objectives were securing public health and economic recovery (Recover), ensuring priority projects are delivered on time, to budget and to the required standard (Deliver), and ensuring the Council's services, workforce and estate are fit for the future and affordable (Evolve). It was overseen by a Programme Board that met every 4-6 weeks and provided an update to Directors' Board following every meeting. A new Change Programme has been in development since December 2022, and this will continue some of the work that the RDE Programme initiated with the three overarching objectives of the programme being to; Enable delivery of the political priorities for each Council; Successfully navigate the financial challenges facing each Council; and Ensure we attract and retain the workforce needed to deliver excellent services to residents.

The Council participated in a Local Government Association Corporate Peer Challenge (CPC) in February 2023. The review functions as an improvement tool to help councils identify their strengths, areas of focus and improvement. The challenge covers five core themes; Local priorities and outcomes, Organisational and place leadership, Governance, and culture, Financial planning and management and Capacity for improvement. The CPC report will be published later in 2023 and will set out peer findings and commitments to improvement.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability. The Council has operated as a Shared Staffing Arrangement with Richmond Council since 1st October 2016, and in doing so has developed an Inter Authority Agreement between the two authorities; also the Council has updated its Constitution to ensure that the governance arrangements are effective and follow good practice. This arrangement has enabled both organisations to realise savings whilst preserving front line services and to pool experience and skills from across two organisations which has contributed to the development of both.

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

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

The Council's Climate Change Steering group, consisting of senior Council officers at Assistant Director level and Heads of Service, is responsible for overseeing the direction and driving the performance of Climate Change and sustainability. The group acts a programme management board for the delivery of identified key areas of the action and takes the lead role in facilitating and enabling delivery, clearing roadblocks to development and delivery of projects and approaches.

The Council is committed to achieving value form money for its residents. All budget managers are responsible for the costs charged to their service area and must at all times strive to deliver value for money. The Council's Procurement Regulations set out rules and processes that Officers must follow to help ensure that procurement activity secures value for money and offer best value for services to the public.

In response to a number of high profile public interest reports, an audit was undertaken to strength test the organisation against a set of indicators based on key themes from those reports. A report was submitted to the Audit Committee in November 2022 providing a summary of the findings of this review. Whilst the audit concluded that there were no significant areas of concern, a number of recommendations were made to improve governance arrangements further. These included recommendations which would help to improve the effectiveness of the Audit Committee, one of which was to have two independent members.

REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

The Executive ensures that standards and performance levels are maintained through its performance management framework and resident feedback 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.

After the financial year ends on 31 March, the Council’s accounts are normally completed in May before they are audited and published by the end of July in line with regulations. Since Coronavirus, the 2019/20 and 2020/21 accounts deadlines were revised. Similarly, for the 2021/22 Accounts, the Accounts and Audit (Amendment) Regulations 2022 continued to revise dates to completion by 31 July 2022 and for the external audit to be completed by 30 November 2022. The Council’s draft accounts were published ahead of the deadline and the external audit commenced shortly after on the 4 July 2022. At the time of the Audit Committee in November 2022 the accounts were largely complete however, further work was required by EY at that point. This delay mirrored the national picture where only 12% of audits met the statutory deadline due to auditor resourcing issues and due to audit firms seeking clarification on the treatment of the valuation of infrastructure assets which was raised in March 2022 as a national point of concern.

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

The Standards Committee. The standard of conduct by Members at Wandsworth remains high with small numbers of complaints annually in the last decade. During 2022/23 a number of complaints were dealt with by the Council's Monitoring Officer using the agreed process. each with full consultation with the Independent Persons The summary outcome of any these admissible complaints were reported in full for information to the Standards Committee in January 2023. No complaints were received during the year that required formal investigation and consideration by the Standards Committee to determine next steps. The Council adopted the LGA model Code of Conduct for Members in 2021 has a local Code of Conduct for Members. As part of its remit the Standards Committee continues to consider whether the Code of Conduct remains relevant. which is reviewed regularly. The Council retains a stand-alone Standards Committee.

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 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 Resources Directorate, is to ensure that the Council has sound controls for the administration of its financial affairs.

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

CONCLUSION

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

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

CERTIFICATE
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance can be found using this link: https://democracy.wandsworth.gov.uk/ieListDocuments.aspx?CId=311&MId=8570&Ver=4 and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) Devolved Management Organisations
In recent years, many audits receiving Limited Assurance opinions related to Devolved Management Organisations (DMOs). In 2022/23, there was one Limited Assurance audit and one No Assurance related to Residential Management Organisations (RMOs). This is a decrease from previous years related to engaging with Housing officers more and issuing advisory reports where we feel improvements can be made on the performance monitoring of RMOs. One RMO was issued a Supervision Notice by Housing in April 2022, but due to no improvement in their service provision a Notice to end the Modular Management Agreement (MMA) has now been issued and full management of the RMO will return to the Council on 1 August 2023. The audit on this RMO in May 2022 only provided limited assurance and failure to implement the actions identified contributed to the decision to issue a Notice to end the MMA.

6 of the 19 Schools audits completed during the year had Limited Assurance opinions awarded. DMOs have a greater level of autonomy, with delegated responsibility over areas of high risk such as financial management, human resources, and procurement, which has resulted in higher than average breach of controls.

(b) Information & Cyber Security
The impact of a significant cyber security attack upon service delivery are so severe that it is one of the highest risk threats to any organisation. The challenges to delivering effective information and data security management require constant review especially with increased automation and the increased use of data to assist with service delivery and with changed working models where officers now regularly working in a more agile way across different sites, including from home. In addition to service disruption, failure to ensure that effective and up to date data control arrangements exist and mandatory training on handling data are sufficient could place the Council at risk of significant financial penalties and reputational damage, should personal data be inappropriately disclosed or misused, whether deliberately or accidentally. With the constant development in IT systems and capability, the risk of an information security incident is constantly changing so we must constantly ensure that our response keeps pace.

Systems and data handling control processes are regularly reviewed, both internally and by an external assessor, to ensure that they are compliant with UK General Data Protection Regulations (GDPR), and Data Protection Act (DPA) requirements and the SSA continues to retain the ISO27001 Certification across both Richmond and Wandsworth Councils. These requirements apply to all personal data sets used by the Council whether directly or through the engagement of third party/contracted data processors with the Council's ability to ensure lawful processing is exercised by third party/contracted data processors is applied through a combination of robust procurement controls and by service leads through contract management. The Councils' cyber security arrangements are constantly evolving to combat these risks. Alongside an experienced in-house team with specific responsibilities for cyber security there are contracts in place for prevention support and incident management with external specialists who review systems integrity and conduct ethical hacks to assess the robustness of controls in place. The mandatory cyber and information security awareness training for all officers has been reviewed with an updated training package rolled out during 2022/23. Robust arrangements have been established to ensure that security incidents are effectively and promptly addressed, seeking advice from the ICO and legal when necessary.

(c) Knowledge Management and Agile Working

The Chief Executive, Section 151 and Director of Adult Social Care and Public Health posts were made permanent during 2022/23, but there were still a number of posts with interims sitting at Assistant Director level. This has reduced the risk of loss of knowledge at a senior level. However, staff turnover in 2022/23 was higher than in 2021/22 and this has put pressure on managers through loss of staff knowledge and time spent on inducting new employees. Exit interviews have not provided any strong negative reasons and high staff turnover is common across other London boroughs. The Council also has an aging workforce with many close to retirement and with difficulties in filling vacancies this will add further pressure on managers. These trends were reported to the Joint Staffing Committee in November 2022 and Human Resources are working with chief officers on succession planning.

Management teams are also working with Human Resources to ensure service delivery knowledge is documented, supporting succession planning where required, and developments to the employee terms and conditions are being progressed to make the SSA an Employer of Choice amongst prospective applicants.

Agile working and remote working practices continue to be developed across Departments and a significant number of staff worked off site during the year thus distributing the pool of collective knowledge further. It will be critical to retain knowledge sharing and corporate memory regardless as to where officers are located and address the challenges of transferring knowledge whilst working remotely.

A staff survey was carried out in December 2022 with a commitment from chief officers and senior management to act on the results. The aim is to increase staff morale and focus on people’s concerns to improve retention of staff.

(d) Contract Management

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

The Recover, Deliver, Evolve Programme had a Procurement & Spend Workstream with the aim to transform the Council’s approach to procurement to deliver added value including value for money. The scope of this workstream was to identify errors/duplicate payments, non-compliance with procurement regulations and potential opportunities for savings from better procurement. £120k cashable savings from duplicated invoice payments has been achieved. We will not continue with manual analysis due to the officer time required. However, as part of a broader restructure within procurement, supported by embracing new digital technology and other innovations via a wider suite of software linked to procurement, spend and contract management, and spend analysis will be automated from November 2023.

The Assistant Director of Resources (Financial Services) submitted a paper to Directors Board in March 2023, which set out a Contract and Supplier Management Framework and Policy for the SSA which was agreed in principle by Directors Board. This will be supported by an investment in a software solution which will allow contractors to provide core contract management data directly to the contract owners, with high level oversight provided by a new Contract Management HUB based in Procurement. Directorates will continue to be responsible and accountable for the management of their own contracts. The new Contract and Supplier Management Framework and Policy is expected to be rolled out to Directorates between June and November 2023, with the software solution following in early 2024.

(e) Facilities Management
In 2019/20 a No Assurance audit report was issued, and Facilities Management (FM) were given time to implement and embed new systems and procedures to improve the control environment. A substantial amount of work was undertaken subsequent to this review to establish more robust procedures, underpinned by a programme of training, and overseen by the new Head of Facilities Management. However, a number of whistleblowing referrals were received during 2021/22 which suggested that not all of the new systems and procedures had fully embedded, and this delayed the follow up review. Fieldwork for the follow up of the 2019/20 audit has now been completed and the Audit team is working through the findings and recommendations with the FM management team.

(f) Major Projects/Project Management
The Recovery, Evolve and Delivery Programme identified some areas for improvement which are aligned to previous internal audit recommendations. The two regeneration schemes and the 1000 Homes Programme are major projects and the risks associated with such large projects are significant and proper governance arrangements and risk management arrangements must be in place. A detailed risk register that is monitored and actively managed. A Project Board should be set up to ensure that key milestones are delivered and / or explanations are given when performance is below expectation.

(g) Pupil Population Projections and Implications
School funding is driven by pupil numbers, the more pupils a school has on roll, the more funding it receives. Unused or vacant school places create an immediate cost for schools through reduced budgets, which means: less money for staff, resources, and equipment; less money to pay bills and to carry out maintenance work; and less money for extracurricular activities. This, together with the effect of the current cost of living conditions; resulting in increases in the cost of energy and materials leaves schools in a challenging financial position which, without effective management could result in poorer outcomes for children.

The demand for school places in Wandsworth, as across London, has been in decline since 2018. Contributing factors include; primary a fall in birth rate, the uncertainty brought about by Brexit causing some families to leave the UK / reduced immigration, more recently Covid 19 has resulted in families moving outside of London, alongside increasing lack of affordability of housing in the private sector.
Modelling future pupil numbers is challenging however, birth rates are a strong indication of the future and at the moment the 0-5 populations have been in decline for a decade and are not expected to bottom out until 2030. The decline in numbers of births is likely to drive the reduced need for school places for the next 10 years or more.

Wandsworth has successfully implemented a strategy of reducing the numbers of forms of entry for schools over the last few years however, much of the excess capacity in the school system has now been removed. Schools with 1 form of entry cannot go to zero forms but they can federate, merge and/or find other ways to share resources. All these strategies have been applied in in Wandsworth and will continue to be required into the future.

(h) Cost of Living

In September 2022, the Council committed £5m of new money, funded from the Council’s own reserves, to support substantial and immediate steps to support residents, communities, and business through the cost of living crisis. Governance has been set up in respect of the £5m reserve, which includes a Cost of Living Board which oversees the programme at a strategic level and a Programme Working Group which oversees the delivery of a number of workstreams. Regular reports are made to the Leader and Finance Committee. The aim is to maximise outcomes and value for money and to ensure appropriate due diligence on new projects/actions. The Council is responsible for administering a number of funding streams from central government, including the Household Support Fund and the Council must ensure that it covers a wide range of low-income households in need including families with children of all ages, pensioners, unpaid carers, care leavers and disabled people. The risks associated with allocating funding must be properly managed as well as monitoring take up and effectiveness of services provided via the funding.

There are significant risks with a number of initiatives requiring the Council to react quickly and put in place mechanisms to distribute money to vulnerable residents as quickly as possible to support immediate need. Robust controls need to be in place to ensure that payments are only made where there is an entitlement, and the risk of fraud or error is minimised. One of the key risks is around capacity to deliver. A proposal is going to the Cost of Living Board for additional resources, without which, there is a risk that projects will stall or take longer which is a risk where the nature of the crisis is that Council’s need to be able to react quickly. There are also risks around the impact of the Cost of Living crisis such as increase in arrears/debt and work is being undertaken as part of the Cost Of Living programme around how the Council supports financially vulnerable families to improve their financial resilience so that they are better able to pay their debts and on-going liabilities.

Signed:

Cllr Hogg
Leader of the Council

Mike Jackson
Chief Executive
On behalf of Wandsworth Council

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the authority’s financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFIT

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORY (STOCK)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The authority's borrowings less cash and liquid resources.

NON-DOMESTIC RATES (NNDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

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Wandsworth

Wandsworth Council

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X December 2024

Maria Grindley, Partner
Ernst & Young

R+ 2 Blagrave Street
Reading
RG1 1AZ

Wandsworth Borough Council
Financial Statements for the year ended 31 March 2023

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Wandsworth Borough Council ("the Group and Council") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Wandsworth Borough Council as of 31 March 2023 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)**.**

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group

and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 for the Group and for the Council that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted differences within the Statement of Accounts for 2022/23.

6. There have been no significant errors or misstatements, or changes in accounting policies, that would require a restatement of the comparative amounts in the current year’s consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the Group or Council financial statements for the year ended 31 March 2023 are solely the result of reclassifications for comparative purposes.

7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

8. We have confirmed to you any changes in service organizations within the Group and Council since the last audited financial year.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council’s business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:

    - involving financial improprieties;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council’s financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council’s activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements.

3. We have made available to you all minutes of the meetings of the Council committees including the Finance Committee and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: These documents are published on the Council’s website and have been provided throughout the audit.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the 2022/23 year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent we are aware, any unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and, ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

8. We have disclosed to you and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the Group and Council financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 45 to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1.2 to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability

to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than text in Note 6 to the consolidated and Council financial statements, there have been no other events subsequent to period end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Report and also the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and Council financial statements.

Yours faithfully,

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(Executive Director of Finance)

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(Chair of the Audit Committee)

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