Royal Borough of Greenwich

Statement of Accounts

2019/20

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Introduction from Councillor Chris Kirby, Cabinet Member for Finance and Resources, Royal Borough of Greenwich

This statement of accounts covers the financial year 1 April 2019 to 31 March 2020. A period when the full impact of coronavirus on public services and our lives had yet to be felt.

The pandemic has touched every aspect of the Council's work, and we will be on the front line as the country recovers. Businesses will need support to get back on their feet, schools will reopen for children who have been stuck at home for months and our social care services will help an increasing number of vulnerable residents. We will also prepare our response to the climate emergency as we are still aiming to reach net zero carbon emissions 20 years ahead of the national target.

We are committed to supporting residents in the borough, recognising that times are tough for many people. We've introduced changes to our council tax support scheme to put money in the pockets of residents who have suffered the most from austerity and our permanent Universal Credit support team is helping some of our most vulnerable residents. We've set up a Community Hub of volunteers to help support thousands of residents through the coronavirus pandemic and beyond.

Although we're facing unprecedented financial pressures, we're still investing so that Royal Greenwich can be a great place to live for people of all ages, genders, ethnicities, religions and abilities. Our financial strategy will enable us to continue with our mission to make Greenwich a fair, safe and welcoming place for everyone.

Councillor Chris Kirby
Cabinet Member for Finance and Resources, Royal Borough of Greenwich

Narrative Report

The Royal Borough of Greenwich is one of 33 London Boroughs. The borough is home to:

- a World Heritage site
- the O2 arena
- Greenwich Park
- the Cutty Sark
- the Royal Arsenal in Woolwich and
- the Prime Meridian

These are just a few of the world class attractions in the borough.

The Authority operates the Leader / Cabinet system with 51 councillors in total (17 wards comprising 3 members each); the current political balance is 40 Labour and 9 Conservative councillors. There are two vacant seats at present.

Over the course of 2019/20, the authority was grouped into 6 distinct directorates:

- Children's Services
- Health and Adult Services
- Regeneration, Enterprise and Skills
- Housing and Safer Communities
- Communities and Environment
- Finance and Legal Services

Council Services

The Royal Borough of Greenwich offers services to residents in the following areas:

- **Advice and Benefits** - Welfare Rights, Housing Benefit and debt, as well as what to do in an emergency
- **Business** - Business support services, doing business with the council, and information about licensing and trading standards
- **Community and Living** - births, deaths, marriages and citizenship, community safety and anti-social behaviour, community grant funding and family history research
- **Council and Democracy** – information on councillors, local matters, voting, council tax
- **Education and Learning** - schools and colleges, childcare arrangements, adult learning courses, and help with schooling costs
- **Environment and Planning** - recycling, street cleaning, noise and pollution, planning and conservation, building control and parks and open spaces
- **Health and Social Care** - adult care services, support for families and children and people with disabilities
- **Housing** - Exchanging a council home, access services for council tenants, assessing housing options and information for landlords and leaseholders
- **Jobs and careers** - council jobs and other opportunities through Greenwich Local Labour and Business (GLLaB)
- **Leisure and Culture** - local leisure facilities, libraries, entertainment and events, as well as tourist information
- **Transport and streets** - parking and transport information, as well as resources for cyclists and foot tunnel users

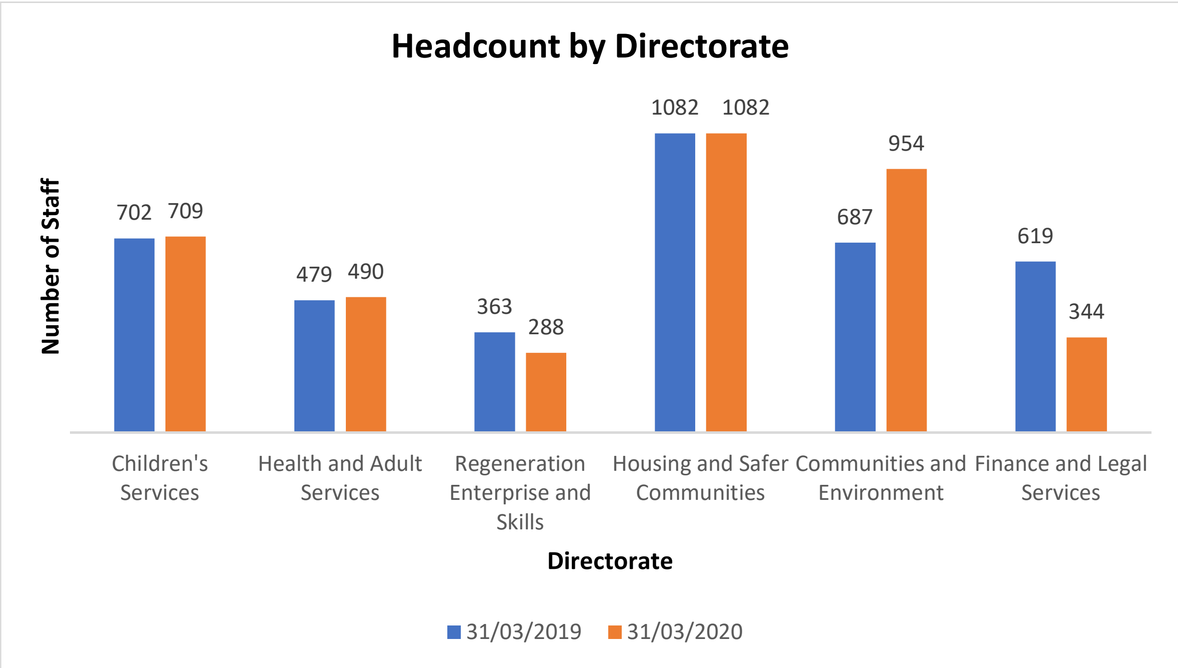
More information on the above services is available on our website www.royalgreenwich.gov.uk

Staffing

The Royal Borough of Greenwich employs 3,867 staff. The demographic composition of the workforce as at 31 March 2020 was:

- 56% female
- 33% BME
- 5% disabled
- an average age of 47

The number of staff working in particular Directorates as at 31st March 2020 is illustrated in the chart below:



Future Challenges

The Council faces a number of overarching challenges in the coming years:

- Central government funding is falling year on year; Local Authorities will need to look to raise alternative sources of income to be able to maintain service delivery.

- Demographic growth and an increasingly ageing population will continue to present challenges on the Council's budget in years to come.

- Brexit will continue to create uncertainty. The financial impacts are not currently quantified and could be positive or negative.

- The Covid-19 pandemic is likely to have a significant impact on the Council's resources. This is likely to be in both the short and medium term as the impact on the economy is better understood.

Performance

The Royal Borough of Greenwich has 8 high level objectives within its Corporate Plan 2018-2022. A detailed account of performance against these objectives can be found in the "Cabinet Performance Report – High Level Objectives", for consideration by Cabinet on 12 June 2019. Some extracts from Q3 2019/2020 report appear below:

1. A Healthier Greenwich
   a. **The Live Well Greenwich** programme supports people with health and wellbeing related issues including health behaviours (smoking, diet, physical activity, alcohol use) and wider factors such as financial concerns, housing, social isolation and access to training and skills opportunities. The number of contacts made to the Live Well Greenwich Line has increased and is ahead of the annual target of 15,000 for the whole year.
   b. The holiday meal programme is aimed at children who during term time receive free school meals. Christmas provision ran for the first time for 7 days out of the 10 days available, with one venue in operation, The Woolwich Centre Library (match funded by GLL). There was an average attendance of 83 children per session, with a maximum attendance of 95 and a total of over 550 meals served.

2. A Safer Greenwich

a. There continues to be a significant need for robust enforcement activity where there is a failure to licence HMO's and Category 1 Hazards identified. The enforcement programme continues to pursue those who provide poor standards and inadequate facilities in privately rented homes. This is reflected in the number of enforcement notices served to ensure safer homes exceeding the annual target.
b. Safe Drive Stay Alive performances in the last week of January gave thousands of year eleven and sixth form students a powerful theatre performance from people with real-life experience of fatal collisions. It helps students understand the limitations in their still-developing perception.

3. A Great Place to Grow Up
   a. Education outcomes for children in our care remain provisional until the DfE release final data late March 2020. Provisional figures are down on 2018 and we anticipate will fall below England for the first time in a number of years; At KS4, whilst the proportion achieving a standard pass (grade 4+) will be lower, those achieving a strong pass (grade 5+) will likely be in line with England. It should always be remembered that these are small numbers of children so year on year some variation is to be expected; furthermore, 2019 saw a significant increase in the proportion of SEN pupils within these already complex cohorts.
   b. The **Runway to Success programme** for 2018-19 delivered by the Work Experience team has now completed. The programme promotes employability skills, entrepreneurial skills and STEM. The project delivered 9 events to 683 students across the borough. 71 volunteers were recruited from 31 businesses.

4. Delivering New and Good Quality Homes
   a. The Council continues to have an excellent record on making land available and granting planning permissions to meet this challenging target. Permission for 6726 residential units (net) have been granted over the past three years (2016/17 – _2018/19 inclusive), and this figure rises to 22,211 over the past four years when the Greenwich Peninsula Masterplan (granted 2015/16) is taken into account. There have also been notable gains over the past two years in the amount of affordable housing secured from schemes of 10+ units which are subject to the target for 35% affordable housing, with the past two years achieving 31% affordable housing (net).
   b. A new landlord offer has been launched in October 2019 to incentivise landlords to offer their properties for us to be able to prevent homelessness.

5. A Cleaner Greenwich
   a. Vehicle replacements are continuing this financial year that is increasing the % ULEZ compliance figure. Larger scale procurement is scheduled to start in early 2020 that will increase ULEZ compliance significantly.
   b. **903** adults have received cycle training so far this financial year - on track to exceed targets.

6. Economic Prosperity for All
    a. Royal Greenwich is one of the four Mayor of London Hubs selected to operate across London, piloting this new approach and significantly increasing face to face engagement with local businesses to improve access to and take up of local and LEAP funded business programmes.
    b. Additional funding (c £750k) secured by the Local London sub-regional partnership from the London Business Rates Retention Strategic Investment Pot has allowed for a programme modelled on RBG's E-Business Support Programme to be extended and developed in Greenwich.

7. A Great Place to Be
    a. GLL are working with Willowdene Primary School to promote free swimming to families with disabled young people, with 9 families signed up. In addition, at Send providers fair another 60 families are now registered to receive free swimming.
    b. Investment plans are underway for the refresh of Waterfront until the new Woolwich Centre is built. This will involve a host of refurbishment particularly on poolside areas.

8. A Strong Vibrant and Well Run Borough
    a. Over 94.6% invoices are paid within 30 days
    b. A new Occupational Health contract was procured and implemented which offers an innovative and cost-effective OH service that moves away from the traditional, transactional model to a more responsive remote telemedicine delivery. 78% of referrals have been telephoned based contributing to reduced appointment waiting times and more timely referral outcome reports, in support of more effective absence management and staff wellbeing actions.

Financial Performance

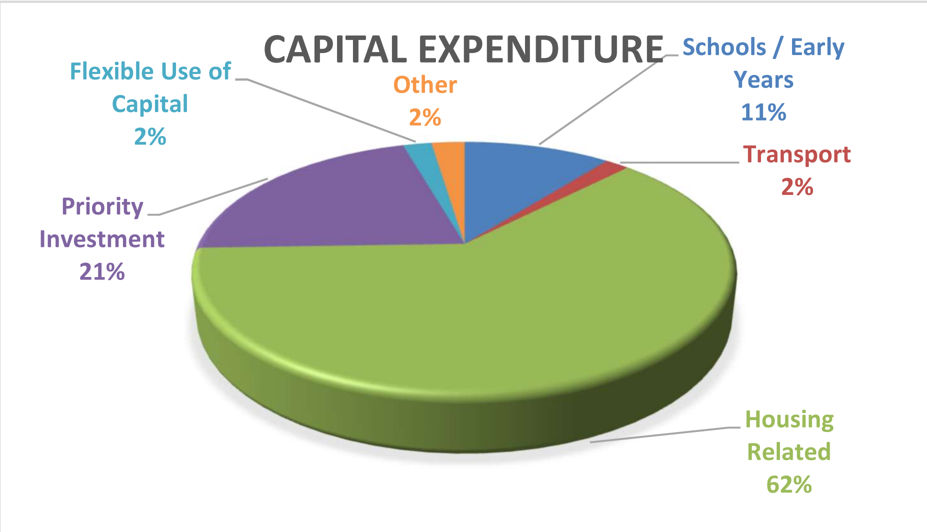
The Council continues to face significant pressures from government policy, alongside local / national demographic and economic trends. Against this backdrop, the borough is well placed to utilise its natural and financial resources in order to counter these pressures. The Council has a medium term financial strategy in place covering the period until the end of the 2023/24 financial year.

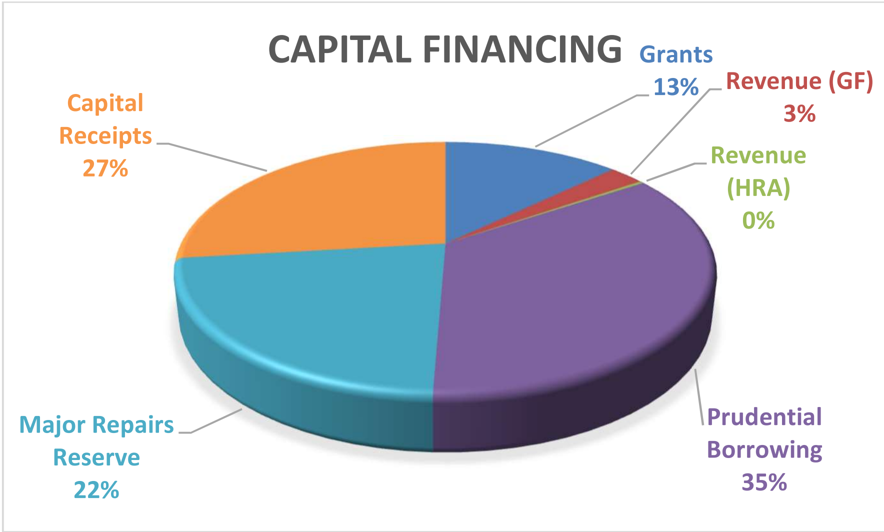
Capital

The council expended £163m in 2019/20, with the majority of this deployed on housing related projects followed by regeneration and education schemes. During the financial year Royal Greenwich also took advantage of the time limited Flexible Use of Capital Receipts directive, with £3m of costs funded from capital receipts.

Financing for the remaining capital investment programme is derived from various sources including revenue and grant streams, capital receipts and borrowing. All borrowing undertaken is sustainable in that debt servicing costs are supported by identified revenue budgets.

Borrowing at 31 March 2020 was £378m - a reduction of £5m from 31 March 2019.





Revenue Outturn

The table below shows the final revenue position for the Authority for 2019/20 and the two preceding years for comparison:

Actual Spend versus Budget £m	**Overspend / (Underspend) 2017/18**	**2018/19**	**2019/20**
Health & Adults	6.5	11.5	9.4
Children's	2.7	3.8	0.6
Communities and Environment	4.1	4.1	6.5
Housing & Safer Communities	0.4	0.2	3.1
Finance & Legal Services	(1.2)	0.0	0.2
Regeneration, Enterprise & Skills	0.9	2.7	1.0
Treasury Management	(12.4)	(10.4)	(10.8)
Net Position	**1.0**	**11.9**	**10.0**
Corporate Pressures			
No Recourse to Public Funds	3.3	2.8	2.1
Supported by One Off Measures			
Other Capacity	(4.7)	(4.4)	(3.0)
Business Rates [1]		(4.2)	(4.8)
Earmarked Reserves		(5.4)	
Increase / (Decrease) General Reserve	0.4	(0.7)	(4.3)
Net GF Position	**0.0**	**0.0**	**0.0**

[1] Additional business rates from the London pilot pool

Movement in the General Reserve £m		**2019/20**
General Reserve b/f		(12.6)
General Fund Services (as above)	4.3	
Net Contrib from Collection Fund	(7.4)	(3.1)
General Reserve c/f		(15.7)

The key budgetary pressures revolve around Health and Adult Services, especially in the provision of social care packages, with increases in expenditure in areas such as Nursing and Supported Living as well as price increases for Homecare mainly due to London Living Wage costs. Furthermore, the Covid-19 crisis had started to place an increased burden due to the requirement to help expediate hospital discharges and support an uncertain and stretched social care market and service providers.

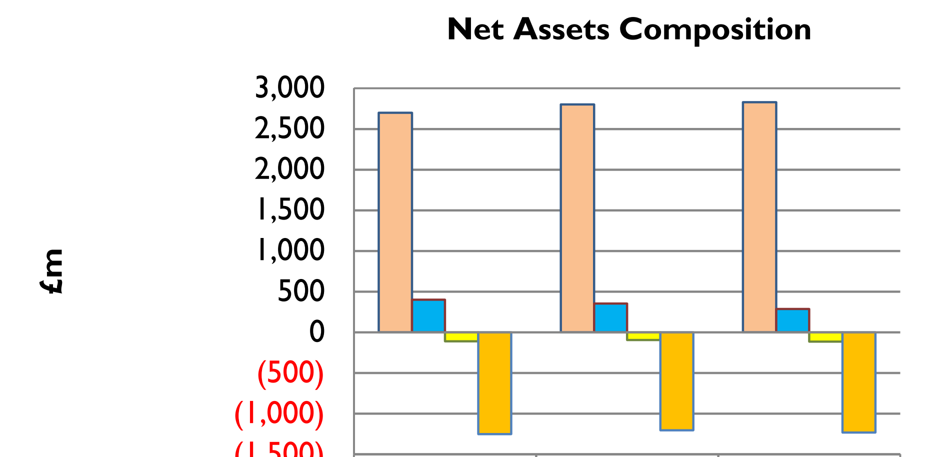
The other main pressure areas are:

- Communities and Environment with increased waste disposal costs, refuse charges, income pressures and the cost of unfunded activities including the Task Force Teams. Due to Covid-19 an increase in staff sickness and shielding was beginning to have a financial impact on the service.
- Housing and Safer Communities with sustained pressures on emergency overnight accommodation which have increased due to a longer length of stay in temporary accommodation, a lower level of social lettings and the increase in private rents not met by Housing Benefit.

These pressures have been met through a combination of temporary savings on Treasury Management activities and one-off resources.

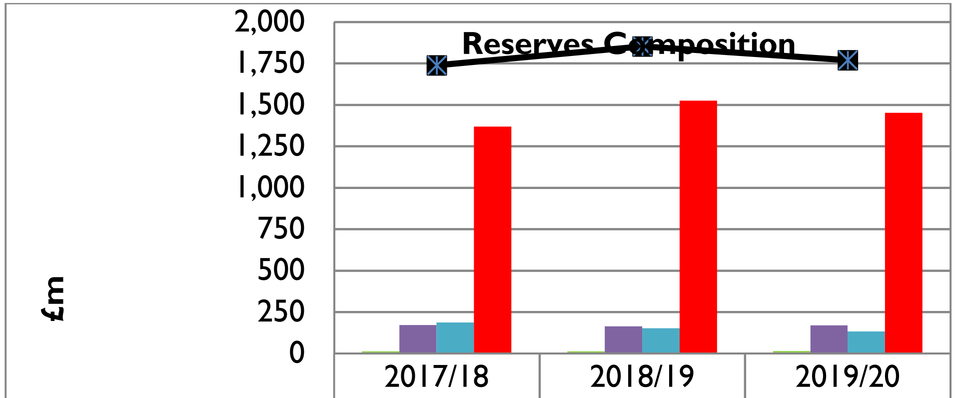
Balance Sheet

The top half of the balance sheet has seen a slight increase in long-term asset values. The Council has a consistently strong net current asset position, thereby being able to readily service its debts as they become due.



	2017/18	2018/19	2019/20
Long Term Assets	2,700	2,802	2,829
Current Assets	403	352	287
Current Liabilities	(111)	(96)	(114)
Long Term Liabilities	(1,252)	(1,204)	(1,233)

The bottom half of the balance sheet shows total reserves split into those that are usable and those that are unusable (i.e. are not cash backed).



	2017/18	2018/19	2019/20
Unallocated Revenue Reserve	13	13	16
Earmarked Revenue Reserve	171	165	170
Capital Reserves	186	153	133
Unusable	1,369	1,524	1,452
Total Reserves	1,739	1,854	1,770

Housing Revenue Account

The Council has a stock of 21,042 social rented homes and 4,967 leaseholders. It is planning to spend over £338m in the next 3 years to increase and improve its housing stock. The Council manages its own Housing Stock and collected £95m in dwelling rents and £14m in service charges in 2019/20. This income is held in a ring-fenced account (the Housing Revenue Account) which can only be used for social housing purposes.

Pension Liabilities

The Royal Borough of Greenwich Pension Fund is independently revalued every three years (triennial valuation). The most recent revaluation, as at 31 March 2019, assessed the funding level at 97% compared with 91% in 2016.

The Council is an employer within the Royal Borough of Greenwich pension fund and plans to achieve a 100% funding level over a period of no more than 17 years.

The triennial valuation confirmed that the contribution rate payable would continue to be frozen – such that it will have remained at the same level for a decade.

Impact of Covid-19

The COVID-19 pandemic is having a profound effect upon residents, businesses, staff and wider civil society in the borough and across the world. The Council has had to act fast to assess the impact of COVID-19 on the community, council services and to maintain and develop services to support the community with a key focus on vulnerable people. As part of this a Community Hub was established at very short notice in order to provide support to the community and shielded vulnerable individuals (those particularly at risk from COVID-19). The Council developed the hub with a range of third sector organisations, registering approximately 1,300 volunteers to provide a range of services, such as deliveries of food parcels, personal shopping, picking up medicines, befriending and making well-being calls. This alongside, maintaining critical services to residents, was enabled at a time when our own staff were, in the main, working from home.

This response has required, in some cases, a fundamental review into the delivery services and has, inevitably, created a series of financial pressures and funding challenges. The Council has had to put considerable resources into ensuring that the most vulnerable in the community are cared for. This inevitably comes with additional cost pressures.

Prior to the outbreak, the Council was already addressing the challenge of cumulative annual cuts in Government funding over a decade, which alongside other spending pressures such as rises in the cost of living and an ageing population, have left the council with substantial budget pressures. The world has changed as a result of Covid-19 and continues to do so on a daily basis. The Council will need to revise its MTFS which was approved by Council in February 2020. It will need to undertake this considering the following: -

- our overall financial resilience
- refined estimates for the overall direct costs of the pandemic, lost income and foregone savings proposals
- review of projects and schemes within the capital programme
- what steps it needs to take to increase budgetary control measures at a time of significantly heightened financial risk
- what the crisis period has taught us in respect of our operating model and our service provision
- how demand is shifting
- building a socio-economic recovery for Greenwich in partnership with the borough's anchor institutions.

The Covid-19 crisis has had a significant financial impact and will have a long-term effect on the level of resources available to the Council. There does, however, remain considerable uncertainty and difficulty in defining the full impact of the crisis at this stage and this will need to be kept under constant review. Looking ahead, we will need to consider how the Council remains financially resilient and sustainable in what are very uncertain times for the Royal Borough of Greenwich, it's residents, stakeholders and the UK as a whole.

Strategic Risks for the coming year

A risk management strategy is in place to identify and evaluate risk. The 2020/21 Council Tax setting report identified a broad range of risks the Council could face. The risks with high likelihood and with the highest potential impact have been included in the table below:

Risk	Impact
Changes to government funding mechanism	• adverse impact on the Council's Financial position
Inflation	• increases could result in upward budget pressure and may not be matched by additional income
Market and economic developments	• market movements can affect service take up and income • homelessness and social care affected by supply and demand factors
New legislation	• the Council could be assigned new responsibilities – not always with additional funding immediately available
Demographic and Population	• regeneration and demand shifts in services can have a significant impact on the budget • population is one of the key factors in the formula for funding mechanisms
Brexit	• interest rates (both for capital borrowing and investments) • general inflation rates • workforce costs • property values or rents • procurement
Covid-19 Pandemic	• Responding to the pandemic is likely to have a significant impact on the Council's overall level of resources both in terms of additional expenditure and lost income.

Structure of the Statement of Accounts

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards.

The Main Financial Statements are:

Movement in Reserves Statement - The net of the authority's short/long term assets and liabilities is represented by its reserves – this is also known as its net worth. Reserves are usable or unusable and this note shows how the main usable plus total unusable reserves have changed.

Comprehensive Income and Expenditure Statement - This is the income and expenditure for the authority on a financial accounting basis i.e. it reflects the cost to the authority of running services, but does not reflect the cash position.

Balance Sheet - a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement - This takes the surplus or deficit from the income and expenditure statement and reconciles it to the actual movement in cash on the balance sheet.

Expenditure and Funding Analysis – shows how funding available to the Council has been used in providing services in comparison with those resources used by Authorities in accordance with Generally Accepted Accounting Practices.

Additional Statements / Other Notes are:

Collection Fund Statement - this contains statements that reflect the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government, of council tax and non-domestic rates.

Housing Revenue Account - this shows the economic cost in the year of the landlord responsibility for social housing provision in accordance with accounting standards, rather than the amount to be funded from rents and government grants.

Pension Fund Account - the Royal Borough of Greenwich Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich.

Accounting Policies - the main underlying accounting policies underpinning the financial statements.

Annual Governance Statement - this sets out a framework in relation to risk management and internal control, along with efficiency and effectiveness.

Statement of Responsibilities

The Authority's Responsibilities

The Authority 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 Authority, that officer is the Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Approval of Accounts

I certify that the Statement of Accounts was approved by Council at its meeting on 25 November 2020.

Cllr Linda Bird
Mayor of the Royal Borough of Greenwich **Dated** **25 November 2020**

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certification of the Section 151 Officer

I hereby certify that the Statement of Accounts on pages 23-167 give a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31st March 2020.

Damon Cook CPFA **Dated** **25 November 2020**
CFO - Section 151 Officer

Independent Auditor's Report to the Members of Royal Borough of Greenwich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Royal Borough of Greenwich (the 'Authority') for the year ended 31 March 2020 which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

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

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and pension Fund investments

We draw attention to Note 32 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property, private equity and alternative investments as at 31 March 2020. As, disclosed in note 32 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. In addition, there is an increased risk that the valuation of the Pension Fund's level 3 investments maybe affected and the valuations may be misstated. The Fund's private equity, and diversified investments are usually valued in the accounts based on 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into accounts the impact of Covid-19 pandemic. Our opinion is not modified in respect of these matters.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

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

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Section 151 officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities the Authority 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 authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Management Panel is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

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

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

26 November 2020

Comprehensive Income and Expenditure Statement

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 **Net Expenditure £000**	**Comprehensive Income and Expenditure Statement**	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 **Net Expenditure £000**
58,140	(7,404)	50,736	Communities & Environment	72,605	(9,857)	62,748
192,680	(166,805)	25,875	Finance	199,943	(149,717)	50,226
28,966	(13,004)	15,962	Housing & Safer Communities	27,974	(16,436)	11,538
105,799	(116,973)	(11,174)	Housing Revenue Account	132,329	(117,834)	14,495
150,188	(58,132)	92,056	Health & Adult's Services	151,255	(56,183)	95,072
51,114	(40,022)	11,092	Regeneration, Enterprise & Skills	63,215	(48,768)	14,447
372,489	(247,053)	125,436	Children's Services	357,634	(259,626)	98,008
959,376	**(649,392)**	**309,984**	**Net Cost Of Services**	**1,004,955**	**(658,421)**	**346,534**
21,402	0	21,402	Other Operating Expenditure (Note 3)	26,825	0	26,825
45,885	(1,765)	44,120	Financing and Investment Income and Expenditure (Note 4)	44,143	(1,692)	42,451
0	(275,339)	(275,339)	Taxation and Non-Specific Grant Income (Note 5)	0	(284,191)	(284,191)
67,287	**(277,104)**	**(209,817)**	**Other Income and Expenditure**	**70,968**	**(285,883)**	**(214,915)**
1,026,664	**(926,496)**	**100,168**	**(Surplus) or Deficit on Provision of Services**	**1,075,923**	**(944,304)**	**131,619**
		(110,318)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(19,394)
		(104,235)	Re-measurement of the net defined benefit liability / (asset)			(28,323)
		(214,553)	**Other Comprehensive Income and Expenditure**			**(47,717)**
		(114,385)	**Total Comprehensive Income and Expenditure**			**83,902**

Movement in Reserves Statement

Movement in Reserves Statement 2019/20	Revenue Reserves		Capital Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2019 carried forward	**(145,424)**	**(22,196)**	**(110,246)**	**(9,503)**	**(42,404)**	**(329,775)**	**(1,524,096)**	**(1,853,871)**
Movement in Reserves During 2019/20								
Total Comprehensive Income and Expenditure	115,560	16,058	0	0	0	131,619	(47,717)	83,902
Adj between accounting basis & funding basis under regs (Note 6)	(133,013)	(6,722)	24,261	0	(4,748)	(120,222)	120,222	0
(Increase) / Decrease in 2019/20	**(17,452)**	**9,336**	**24,261**	**0**	**(4,748)**	**11,397**	**72,505**	**83,902**
Balance at 31 March 2020 carried forward	**(162,875)**	**(12,861)**	**(85,985)**	**(9,503)**	**(47,154)**	**(318,378)**	**(1,451,591)**	**(1,769,969)**

General Fund Analysed Over:	
Amounts Earmarked (Note 7)	(147,201)
Amounts Uncommitted	(15,677)
Total General Fund Balance at 31 March 2020	**(162,878)**

Movement in Reserves Statement 2018/19	Revenue Reserves		Capital Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2018 carried forward	**(155,214)**	**(18,558)**	**(113,829)**	**(10,623)**	**(72,368)**	**(370,591)**	**(1,368,894)**	**(1,739,485)**
Movement in Reserves During 2018/19								
Total Comprehensive Income and Expenditure	106,336	(6,168)	0	0	0	100,168	(214,554)	(114,386)
Adj between accounting basis & funding basis under regs (Note 6)	(96,548)	2,529	3,584	1,120	29,963	(59,352)	59,352	0
(Increase) / Decrease in 2018/19	**9,788**	**(3,639)**	**3,584**	**1,120**	**29,963**	**40,816**	**(155,202)**	**(114,386)**
Balance at 31 March 2019 carried forward	**(145,424)**	**(22,196)**	**(110,246)**	**(9,503)**	**(42,404)**	**(329,775)**	**(1,524,096)**	**(1,853,871)**
General Fund Analysed Over:								
Amounts Earmarked (Note 7)	(132,828)							
Amounts Uncommitted	(12,598)							
Total General Fund Balance at 31 March 2019	**(145,425)**							

Balance Sheet

31 March 2019 £000	Balance Sheet	Notes	31 March 2020 £000
2,782,757	Property, Plant & Equipment	9	2,807,244
770	Heritage Assets		770
10,640	Long Term Investments	16	18,172
7,991	Long Term Debtors	16	3,250
2,802,158	**Long Term Assets**		**2,829,436**
156,742	Short Term Investments	16	104,140
55,225	Assets Held for Sale	12	53,682
7,000	Investment Properties	10	7,000
207	Inventories		228
80,297	Short Term Debtors	20	72,092
52,988	Cash and Cash Equivalents	Cashflow	50,008
352,459	**Current Assets**		**287,150**
(487)	Cash and Cash Equivalents	Cashflow	(531)
(7,829)	Short Term Borrowing	16	(6,445)
(369)	Short Term Deferred Income	14	(337)
(79,381)	Short Term Creditors	22	(97,386)
(1,414)	Receipts in Advance	5	(1,290)
(6,851)	Provisions	23	(7,964)
(96,331)	**Current Liabilities**		**(113,954)**
(662,160)	Long Term Creditors	19	(704,205)
(17,764)	Provisions	23	(13,227)
(378,109)	Long Term Borrowing	16	(374,654)
(3,050)	Long Term Deferred Income	14	(2,713)
(143,332)	Other Long-Term Liabilities	14/16	(137,864)
(1,204,415)	**Long Term Liabilities**		**(1,232,663)**
1,853,871	**Net Assets**		**1,769,969**
(329,775)	Usable Reserves	MIRS	(318,378)
(1,524,096)	Unusable Reserves	8	(1,451,591)
(1,853,871)	**Total Reserves**		**(1,769,969)**

Cash Flow Statement

2018/19 £000	Cash Flow Statement	2019/20 £000
(100,168)	Net surplus or (deficit) on the provision of services	(131,619)
158,978	Adj to net surplus or deficit on the provision of services for non cash movements (Cash Flow Note 1)	228,716
(52,800)	Adj for items incl in net surplus / deficit on the provision of services that are investing and financing activities (Cash Flow Note	(47,313)
6,010	Net cash flows from Operating Activities	49,784
6,009	Investing Activities (Cash Flow Note 2)	(48,177)
(18,979)	Financing Activities (Cash Flow Note 3)	(4,631)
(6,960)	Net increase or (decrease) in cash and cash equivalents	(3,024)
59,461	Cash and cash equivalents at the beginning of the reporting period	52,501
52,501	**Cash and cash equivalents at the end of the reporting period (Cash Flow Note 5)**	**49,477**

Cash Flow Note 1 - Operating Activities

The cash flows for operating activities include the following items:

1,540	Interest received	1,823
(27,665)	Interest paid	(28,322)

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

45,933	Depreciation	48,301
4,447	Impairment and downward valuations	46,476
11,930	Increase / (decrease) in creditors	10,700
(2,025)	(Increase) / decrease in debtors	11,486
3	(Increase) / decrease in inventories	(22)
(654)	Increase / (decrease) in receipts in advance	(124)
47,344	Movement in pension liability	70,368
4,459	Increase / (decrease) in provisions	(3,424)
47,541	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	44,955
158,978		**228,716**

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

(33,506)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21,836)
(19,294)	Any other items for which the cash effects are investing or financing cash flows	(25,477)
(52,800)		**(47,313)**

Cash Flow Note 2 - Investing Activities

(109,229)	Purchase of property, plant and equipment, investment property and intangible assets	(142,022)
(9,924,865)	Purchase of short-term and long-term investments	(9,608,870)
33,506	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21,836
9,991,052	Proceeds from short-term and long-term investments	9,653,810
15,545	Other receipts from investing activities	27,069
6,009	**Net cash flows from investing activities**	**(48,177)**

Cash Flow Note 3 - Financing Activities

(3,190)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,073)
(3,455)	Repayments of short-term and long-term borrowing	(4,837)
(12,334)	Other payments for financing activities	3,279
(18,979)	**Net cash flows from financing activities**	**(4,631)**

Cash Flow Note 4 - Reconciliation of Liabilities Arising from Financing Activities

	2019/20 1 April	**Financing Cash flows**	**Other non-cash changes**	**2019/20 31 March**
Long-term borrowings	378,109	0	(3,455)	374,654
Short-term borrowings	7,829	(4,837)	3,453	6,445
Lease liabilities	1,673	(2)	0	1,671
On balance sheet PFI liabilities	99,040	(3,072)	0	95,968
Total liabilities from *financing activities*	**486,651**	**(7,911)**	**(2)**	**478,738**

	2018/19 1 April	Financing Cash flows	Other non-cash changes	2018/19 31 March
Long-term borrowings	382,945	0	(4,836)	378,109
Short-term borrowings	6,485	(3,455)	4,799	7,829
Lease liabilities	1,674	(1)	0	1,673
On balance sheet PFI liabilities	102,229	(3,189)	0	99,040
Total liabilities from *financing activities*	**493,333**	**(6,645)**	**(37)**	**486,651**

Cash Flow Note 5 - Cash and Cash Equivalents

52,988	Cash and bank balances	50,008
(487)	Bank overdraft	(531)
52,501	**Total cash and cash equivalents**	**49,477**

Note 1 – Expenditure and Funding Analysis

2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2018/19 Adjustments Between the Funding and Accounting Basis £000	2018/19 **Net Expenditure in CIES £000**	**Expenditure and Funding Analysis**	2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2019/20 Adjustments Between the Funding and Accounting Basis (Note 1) £000	2019/20 **Net Expenditure in CIES £000**
45,469	5,267	50,736	Communities & Environment	48,896	13,852	62,747
4,546	21,330	25,876	Finance	2,658	47,568	50,226
12,436	3,526	15,962	Housing & Safer Communities	14,229	(2,691)	11,538
(18,776)	7,602	(11,174)	Housing Revenue Account	(6,363)	20,858	14,495
89,548	2,508	92,056	Health & Adult Services	89,697	5,375	95,073
6,005	5,087	11,092	Regeneration, Enterprise and Skills	(2,232)	16,679	14,447
91,087	34,349	125,436	Children's Services	78,689	19,319	98,008
230,315	**79,670**	**309,985**	**Net Cost of Services**	**225,574**	**120,960**	**346,534**
1,560	19,842	21,402	Other Operating Expenditure (Note 3)	1,557	25,268	26,825
26,211	17,909	44,120	Financing and Investment Income and Expenditure (Note 4)	26,628	15,823	42,451
(251,936)	(23,403)	(275,339)	Taxation and Non-Specific Grant Income (Note 5)	(261,875)	(22,316)	(284,191)
(224,165)	**14,348**	**(209,817)**	**Other Income and Expenditure**	**(233,690)**	**18,775**	**(214,915)**
6,150	**94,018**	**100,168**	**(Surplus) or Deficit on the Provision of Services**	**(8,116)**	**139,735**	**131,619**
(173,771)			Opening General Fund Balance & Housing Revenue Account Balance	(167,621)		
6,150			(Surplus) or Deficit on General Fund & Housing Revenue Account Balance in Year	(8,116)		
(167,621)			**Closing General Fund Balance & Housing Revenue Account Balance**	**(175,737)**		

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts 2019/20

	Adjustments for Capital Purposes £000	Net Change in Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities & Environment	9,660	3,935	257	13,852
Finance	17,061	30,829	(322)	47,568
Housing & Safer Communities	(3,484)	796	(3)	(2,691)
Housing Revenue Account	15,696	5,066	96	20,858
Health & Adult Services	2,660	2,686	29	5,375
Regeneration, Enterprise & Skills	15,090	1,572	16	16,678
Children's Services	8,854	9,660	805	19,319
Net Cost of Services	**65,537**	**54,545**	**878**	**120,960**
Other Operating Expenditure	25,268	0	0	25,268
Financing and Investment Income and Expenditure	0	15,823	0	15,823
Taxation and Non-Specific Grant Income	(25,477)	0	3,161	(22,316)
Other Income and Expenditure	**(209)**	**15,823**	**3,161**	**18,775**
Difference Between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit on Provision of Services	**65,328**	**70,368**	**4,039**	**139,735**

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts 2018/19

	Adjustments for Capital Purposes £000	Net Change in Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities & Environment	2,782	2,431	54	5,267
Finance	13,303	8,302	(275)	21,330
Housing & Safer Communities	2,407	1,220	(101)	3,526
Housing Revenue Account	3,106	4,402	94	7,602
Health & Adult's Services	84	2,464	(40)	2,508
Regeneration, Enterprise and Skills	3,540	1,511	36	5,087
Children's Services	26,052	9,104	(808)	34,348
Net Cost of Services	**51,275**	**29,434**	**(1,040)**	**79,670**
Other Operating Expenditure	19,842	0	0	19,842
Financing and Investment Income and Expenditure	0	17,909	0	17,909
Taxation and Non-Specific Grant Income	(19,295)	0	(4,109)	(23,404)
Other Income and Expenditure	**547**	**17,909**	**(4,109)**	**14,347**
Difference Between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit on Provision of Services	**51,822**	**47,343**	**(5,149)**	**94,018**

Note 2 – Expenditure and Income Analysed by Nature

2018/19 £000	Expenditure and Income Analysed by Nature	2019/20 £000
	Expenditure	
295,822	Employee Benefits Expenses	314,236
630,188	Other Service Expenditure	641,005
51,625	Depreciation, Amortisation, Impairment	65,537
27,627	Interest Payments	28,320
1,560	Precepts & Levies	1,557
2,427	Payments to Housing Capital Receipts Pool	2,186
17,415	Loss on the disposal of non-current assets	23,082
1,026,664	**Total Expenditure**	1,075,923
	Income	
(211,124)	Fees, Charges and Other Service Income	(230,068)
(1,765)	Interest and Investment Income	(1,692)
(226,176)	Income From Council Tax and Business Rates	(284,191)
(487,431)	Government Grants & Contributions	(428,353)
(926,496)	**Total Income**	(944,304)
100,168	**Surplus or Deficit on the Provision of Services**	**131,619**

Note 3 - Other Operating Expenditure

2018/19 £000	Other Operating Expenditure	2019/20 £000
1,560	Levies	1,557
2,427	Payments to the Government Housing Capital Receipts Pool	2,186
17,415	(Gains) / losses on the disposal of non current assets	23,082
21,402	Total	**26,825**

Note 4 - Financing and Investment Income and Expenditure

2018/19 £000	Financing and Investment Income and Expenditure	2019/20 £000
27,626	Interest payable and similar charges	28,320
17,909	Pensions interest cost and expected return on pensions assets	15,823
350	Impairment of investments	0
(1,765)	Interest receivable and similar income	(1,692)
44,120	**Total**	**42,451**

Note 5 – Taxation and Grant Income

Taxation and non-specific grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 £000	Taxation and Non-Specific Grant Income	2019/20 £000
(130,484)	Business rates	(114,817)
(95,692)	Council tax income	(100,115)
(29,868)	Non-ringfenced government grants	(43,782)
(19,295)	Capital grants and contributions	(25,477)
(275,339)	**Total**	**(284,191)**

Specific grant income

Grant Income	2018/19 £000	2019/20 £000
Dedicated Schools Grant	(208,707)	(209,260)
Pupil Premium	(10,987)	(10,082)
Post 16 Grant	(5,975)	(5,050)
Infants Free School Meal Grant	(2,836)	(2,682)
Unaccompanied Asylum Seeking Children Grant	(1,087)	(2,018)
Rent Allowance Subsidy	(95,523)	(82,244)
Rent Rebate Subsidy	(57,158)	(53,406)
Benefit Administration Grant	(2,538)	(2,313)
Public Health Grant	(23,041)	(22,433)
Private Finance Initiative – Building Schools for the Future	(12,291)	(12,291)
Private Finance Initiative – Neighbourhood Resource	(2,091)	(2,091)
Skills Funding Agency	(2,121)	(1,651)
Flexible Homelessness Support Grant	(2,087)	(2,215)
Local Implementation and Planning Grant	(2,074)	(1,273)
Former ILF Recipient Grant	(1,116)	(1,082)
Troubled Families Grant	(1,023)	(1,317)
Teachers Pension Grant	0	(3,090)
Other Miscellaneous Grants	(9,752)	(13,855)
Total	**(438,268)**	**(428,353)**

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

Revenue Grant Receipts in Advance	2018/19 £000	2019/20 £000
Devolved Formula Grant	(1,233)	(840)
Skills Funding Agency	(181)	(421)
Other	0	(29)
Total	**(1,414)**	**(1,290)**

Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	**Usable Reserves**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(64,526)	(5,842)	0	0	0
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	235	0	0	0	0
Council Tax and Business Rates (transfers to or from Collection Fund Adjustment Account)	(3,162)	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,017)	(96)	0	0	0
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)	(76,803)	(57,073)	188	0	(25,533)
Total Adjustments to Revenue Resources	**(145,272)**	**(63,011)**	**188**	**0**	**(25,533)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,810	19,535	(22,195)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	(359)	359	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,186)	0	2,186	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve	0	36,646	0	(36,646)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,469	0	0	0	0
Capital expenditure financed from the revenue balances (transfer to the Capital Adjustment Account)	4,166	467	0	0	0
Total Adjustments between Revenue and Capital Resources	**12,259**	**56,289**	**(19,650)**	**(36,646)**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	43,723	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	36,646	0
Application of capital grants to finance capital expenditure	0	0	0	0	20,785

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Total Adjustments to Capital Resources	**0**	**0**	**43,723**	**36,646**	**20,785**
Total Adjustments	**(133,013)**	**(6,722)**	**24,261**	**0**	**(4,748)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	**Usable Reserves**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(37,443)	(9,901)	0	0	0
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	235	0	0	0	0
Council Tax and Business Rates (transfers to or from Collection Fund Adjustment Account)	4,109	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	899	(94)	0	0	0
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)	(77,661)	(38,483)	(50)	0	(19,295)
Total Adjustments to Revenue Resources	**(109,861)**	**(48,478)**	**(50)**	**0**	**(19,295)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,013	27,002	(33,976)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	(470)	470	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,428)	0	2,428	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve	0	24,475	0	(24,475)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,995	0	0	0	0
Capital expenditure financed from the revenue balances (transfer to the Capital Adjustment Account)	5,733	0	0	0	0
Total Adjustments between Revenue and Capital Resources	**13,313**	**51,007**	**(31,078)**	**(24,475)**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	34,712	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	25,595	0
Application of capital grants to finance capital expenditure	0	0	0	0	49,257
Total Adjustments to Capital Resources	**0**	**0**	**34,712**	**25,595**	**49,257**
Total Adjustments	**(96,548)**	**2,529**	**3,584**	**1,120**	**29,962**

Note 7 – Movements in 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 2019/20.

Earmarked Reserves	31/03/18 £000	Transfers Out £000	Transfers In £000	31/03/19 £000	Transfers Out £000	Transfers In £000	31/03/20 £000
Other Earmarked Reserves	**(27,733)**	22,643	(13,018)	**(18,109)**	10,597	(4,351)	**(11,863)**
Schools	**(23,584)**	10,310	(6,528)	**(19,801)**	647	(2,602)	**(21,755)**
Education and Social Care	**(20,414)**	5,933	(3,296)	**(17,778)**	5,100	(5,026)	**(17,704)**
Council Tax and Business Rates	**(9,057)**	166	(7,706)	**(16,598)**	6,348	(6,870)	**(17,119)**
Risk (based upon risk of events occurring)	**(17,167)**	1,065	(1,424)	**(17,526)**	1,122	(11,817)	**(28,222)**
Total (excluding revenue reserves held specifically for capital purpose)	**(97,956)**	**40,117**	**(31,973)**	**(89,812)**	**23,815**	**(30,666)**	**(96,663)**
Reserves held specifically for Capital purposes							
Priority Investment Programme	**(1,490)**	2,196	(2,164)	**(1,458)**	2,155	(988)	**(291)**
Schools Capital	**(3,937)**	0	(372)	**(4,309)**	0	(357)	**(4,665)**
s.106	**(5,330)**	810	(2,452)	**(6,972)**	1,739	(6,409)	**(11,642)**
Vehicles and Other Capital Reserves	**(14,995)**	6,209	(4,443)	**(13,229)**	11,066	(13,189)	**(15,353)**
Minimum Revenue Provision Capacity	**(18,237)**	2,441	(1,251)	**(17,048)**	348	(1,886)	**(18,586)**
Total Reserves held specifically for Capital purposes	**(43,989)**	**11,655**	**(10,682)**	**(43,016)**	**15,307**	**(22,829)**	**(50,538)**
Total Earmarked Reserves	**(141,945)**	**51,772**	**(42,655)**	**(132,828)**	**39,122**	**(53,495)**	**(147,201)**

Note 8 – Unusable Reserves

2018/19 £000	Unusable Reserves	2019/20 £000
(680,136)	Revaluation Reserve	(677,321)
(1,496,907)	Capital Adjustment Account	(1,473,302)
2,173	Financial Instruments Adjustment Account	1,937
662,160	Pensions Reserve	704,205
(10,064)	Council Taxpayers Adjustment Account	(9,448)
(442)	Deferred Capital Receipts Reserve	(442)
(7,730)	Business Ratepayers Adjustment Account	(5,184)
6,850	Accumulated Absences Account	7,964
(1,524,096)	**Total Unusable Reserves**	**(1,451,591)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since its inception on 1 April 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £000	Revaluation Reserve	2019/20 £000	
(598,533)	**Balance at 1 April**		**(680,136)**
(120,923)	Upward revaluation of assets	(41,785)	
10,605	Downward revaluation of assets & impairment losses not charged to the Surplus or Deficit on the Provision of Services	22,391	
(110,318)	Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(19,394)
18,107	Difference between fair value depreciation and historical cost depreciation	19,252	
10,608	Accumulated gains on assets sold or scrapped	2,957	
28,715	Amount written off to the Capital Adjustment Account		22,209
(680,136)	**Balance at 31 March**		**(677,321)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account:

- is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).
- is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement
- contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Authority
- contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000	Capital Adjustment Account	2019/20 £000	2019/20 £000
(1,481,387)	**Balance at 1 April**		**(1,496,907)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive I&E Statement		
27,825	Charges for depreciation and impairment of non current assets	29,083	
4,447	Revaluation losses on property, plant and equipment	46,477	
38,100	Revenue expenditure funded from capital under statute	19,473	
46,959	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	44,918	
117,331		139,951	
(10,609)	Adjusting amounts written out of the Revaluation Reserve	(2,957)	
106,722	**Net written out amount of the cost of non current assets consumed in the year**		**136,994**
	Capital financing applied in the year		
(34,712)	Use of the Capital Receipts Reserve to finance new capital expenditure	(43,723)	
(25,596)	Use of the Major Repairs Reserve to finance new capital expenditure	(36,647)	
(7,156)	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to capital financing	(5,647)	
(42,101)	Application of grants to capital financing from the Capital Grants Unapplied Account	(15,138)	
(6,994)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,469)	
(5,733)	Capital expenditure charged against the General Fund and HRA balances	(4,633)	
50	Reserved capital receipts	(132)	
(122,242)			**(113,389)**
(1,496,907)	**Balance at 31 March**		**(1,473,302)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2020 will be charged to the General Fund until extinguished in 2031/32.

2018/19 £000	Financial Instruments Adjustment Account	2019/20 £000	2019/20 £000
2,408	**Balance at 1 April**		**2,173**
(235)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(235)	
(235)	Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements		**(235)**

2,173	**Balance at 31 March**	**1,937**

Pensions Reserve

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

2018/19 £000	Pensions Reserve	2019/20 £000
719,051	**Balance at 1 April**	**662,160**
0	Adjustment to opening balance	13,585*
(104,235)	Actuarial gains or losses on pensions assets and liabilities	(26,134)
80,866	Reversal of retirement benefit items debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive I&E Statement	89,896
(33,522)	Employer's pensions contributions and direct payments to pensioners payable in the year	(35,302)
662,160	**Balance at 31 March**	**704,205**

*The increase in the opening balance is to allow for Greenwich Service Plus and Greenwich Service Solutions Defined benefit obligation to be included as a settlement within the Council overall pension obligation.

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 cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2018/19 £000	Deferred Capital Receipts Reserve	2019/20 £000
(4,403)	**Balance at 1 April**	**(442)**
(339)	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	0
4,300	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(442)	**Balance at 31 March**	**(442)**

Council Taxpayers Adjustment Account

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

2018/19 £000	Council Taxpayers Adjustment Account	2019/20 £000
(8,963)	**Balance at 1 April**	(10,064)
(1,101)	Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	616
(10,064)	**Balance at 31 March**	**(9,448)**

Business Ratepayers Adjustment Account

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

2018/19 £000	Business Ratepayers Adjustment Account	2019/20 £000
(4,722)	**Balance at 1 April**	**(7,730)**
(3,008)	Amount by which business rates income credited to the Comprehensive I&E Statement is different from business rates income calculated for the year in accordance with statutory requirements	2,546
(7,730)	**Balance at 31 March**	**(5,184)**

Accumulated Absences Account

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

2018/19 £000	Accumulated Absences Account	2019/20 £000	2019/20 £000
7,655	**Balance at 1 April**		**6,850**
(7,655)	Settlement or cancellation of accrual made at the end of the preceding year	(6,850)	
6,850	Amounts accrued at the end of the current year	7,964	
(805)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,114
6,850	**Balance at 31 March**		**7,964**

Note 9 - Property, Plant and Equipment

Movements 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property Plant and Equipment £000	PFI assets within PPE £000
Cost or valuation									
At 1 April 2019	1,532,236	1,117,138	27,065	174,468	6,358	9,573	28,508	2,895,346	103,683
Adjustment to Balance b/fwd	0	0	0	0	0	0	0	0	0
Additions	49,504	80,440	836	2,966	244	363	8,269	142,622	0
Revaluation increases / (decreases) recognised in Revaluation Reserve	(22,681)	8,220	0	0	0	(37)	0	(14,498)	3,350
Revaluation increases / (decreases) recognised in SoDoPS	(25,227)	(28,323)	0	0	0	(363)	0	(53,913)	0
Derecognise – Disposals	(8,433)	(35,241)	(933)	0	0	0	0	(44,607)	0
Derecognise – Other	0	0	0	(3)	(1)	0	0	(4)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	364	0	364	0
Other movements in cost or valuation	0	19,102	0	0	0	1,045	(20,147)	0	0
At 31 March 2020	**1,525,399**	**1,161,337**	**26,968**	**177,431**	**6,600**	**10,945**	**16,630**	**2,925,310**	**107,033**
Accumulated depreciation and Impairment									
At 1 April 2019	(51,725)	(5,793)	(15,751)	(38,935)	0	(385)	0	(112,589)	0
Depreciation charge	(24,057)	(18,306)	(2,995)	(2,832)	0	(103)	0	(48,293)	(1,782)
Depreciation written out to the Revaluation Reserve	23,875	17,180	0	0	0	103	0	41,158	1,782
Derecognise – Disposals	137	590	933	0	0	0	0	1,661	0
Other movements in depreciation and Impairment	0	0	0	0	0	(3)	0	(3)	0
At 31 March 2020	**(51,770)**	**(6,329)**	**(17,813)**	**(41,767)**	**0**	**(388)**	**0**	**(118,066)**	**0**
Net Book Value:									
At 31 March 2019	1,480,511	1,111,345	11,314	135,533	6,359	9,188	28,508	2,782,758	103,683
At 31 March 2020	**1,473,629**	**1,155,008**	**9,155**	**135,664**	**6,600**	**10,557**	**16,630**	**2,807,244**	**107,033**
Revaluations:									
Historic Cost	0	0	9,155	135,664	6,600	0	16,630	168,049	0
At 31 March 2020	1,473,629	1,106,221	0	0	0	10,557	0	2,590,407	107,033
At 31 March 2019	0	48,787	0	0	0	0	0	48,787	0
At 31 March 2018	0	0	0	0	0	0	0	0	0

Movements 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property Plant and Equipment £000	PFI assets within PPE £000
Cost or valuation									
At 1 April 2018	1,516,304	1,012,843	24,309	169,424	6,358	21,887	43,738	2,794,863	96,802
Additions	26,149	58,978	3,450	5,045	0	1	14,556	108,179	9
Revaluation increases / (decreases) recognised in Revaluation Reserve	6,768	53,644	0	0	0	21,961	0	82,373	6,872
Revaluation increases / (decreases) recognised in SoDoPS	(6,881)	(10,026)	0	0	0	0	0	(16,907)	0
Derecognise – Disposals	(10,188)	(6,006)	(694)	0	0	(2,930)	(22,373)	(42,191)	0
Derecognise – Other	0	0	0	(1)	0	0	0	(1)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(30,970)	0	(30,970)	0
Other movements in cost or valuation	84	7,705	0	0	0	(376)	(7,413)	0	0
At 31 March 2019	**1,532,236**	**1,117,138**	**27,065**	**174,468**	**6,358**	**9,573**	**28,508**	**2,895,346**	**103,683**
Accumulated depreciation and Impairment									
At 1 April 2018	(51,725)	(5,842)	(13,992)	(36,184)	0	(382)	0	(108,125)	0
Depreciation charge	(23,800)	(16,795)	(2,453)	(2,751)	0	(135)	0	(45,934)	(1,726)
Depreciation written out to the Revaluation Reserve	23,634	16,771	0	0	0	84	0	40,489	1,726
Derecognise – Disposals	166	73	694	0	0	48	0	981	0
At 31 March 2019	**(51,725)**	**(5,793)**	**(15,751)**	**(38,935)**	**0**	**(385)**	**0**	**(112,589)**	**0**
Net Book Value:									
At 31 March 2018	1,464,579	1,007,001	10,317	133,240	6,358	21,505	43,738	2,686,738	96,800
At 31 March 2019	**1,480,511**	**1,111,345**	**11,314**	**135,533**	**6,358**	**9,188**	**28,508**	**2,782,757**	**103,683**
Revaluations:									
Historic Cost	0	0	11,314	135,533	6,358	0	28,508	181,713	0
At 31 March 2019	1,480,511	1,099,998	0	0	0	8,993	0	2,589,502	103,683
At 31 March 2018	0	11,347	0	0	0	195	0	11,542	0

Depreciation

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

- Council Dwellings: 40 years
- Other Land and Buildings: 5 – 125 years
- Vehicles, Plant, Furniture and Equipment: 4 - 10 years
- Infrastructure: 30 – 120 years
- Surplus: 4 – 40 years
- Community Assets: The majority of these assets are not depreciated as they have an indeterminable life. Where a community asset is being used as an operational building, then it has been depreciated in line with the policy relating to that category of asset.

Capital Commitments

As at 31 March 2020, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £60.7m. Similar commitments at 31 March 2019 were £47.2m. The major commitments are:

- Housing Projects - £28.7m
- Transportation Capital Programme - £1.7m
- Schools Capital Programme - £4.3m
- Regeneration projects - £24m
- Other schemes - £2.m

The Authority has also made available a £60.2m loan facility to Meridian Home Start Ltd for the delivery of affordable housing within the borough. As at 31 March 2020 £17m of this facility had been drawn down leaving up to £43.2m available for future years.

Non Current Assets – Schools

As at 31st March 2020 the following schools converted to academy status during the year:

- The John Roan School

This resulted in the sum of £35.2m being written out of the Royal Borough's Balance Sheet to reflect the 125 year leases.

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimations set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.
All Held for Sale assets, Surplus assets and Investment Properties are measured at fair value and have been categorised as having a level 3 input level in the fair value hierarchy, except for these valued at £1. Further information on fair value measurement can be found under accounting policies.

Note 10 – Investment Properties

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

	2018/19 £000	2019/20 £000
Rental income from investment property	200	200
Net gain/(loss)	**200**	**200**

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

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

	2018/19 £000	2019/20 £000
Balance at start of the year	**7,000**	7,000
Balance at end of the year	**7,000**	**7,000**

Note 11 – Impairment Losses

The Authority's Valuer has assessed there has been no impairment with regards to the overall asset portfolio.

Note 12 – Assets Held for Sale

Assets Held for Sale	2018/19 £000	2019/20 £000
Balance outstanding at start of year	30,003	**55,225**
Assets newly classified as held for sale – Property, Plant and Equipment *	31,280	496
Additions	83	660
Revaluation gains	0	163
Revaluation losses	(83)	(2)
Assets declassified as held for sale – Property, Plant and Equipment	(310)	(860)
Assets sold	(5,748)	(2,000)
Balance outstanding at year-end	**55,225**	**53,682**

* Includes Phase 2/3 of the Connaught Estate.

Note 13 – 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 Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The Capital Financing Requirement is analysed in the second part of the note.

2018/19 £000	Capital Expenditure and Capital Financing	2019/20 £000
644,591	**Opening Capital Financing Requirement**	**668,709**
	Capital Investment	
108,180	Property, Plant and Equipment	142,619
83	Assets Held for Sale	660
38,098	Revenue expenditure funded from capital under statute	19,473
	Sources of Finance	
(34,712)	Capital receipts	(43,723)
(74,853)	Government grants and other contributions	(57,433)
(5,733)	Direct revenue contributions	(4,633)
(6,995)	MRP / loans fund principal	(7,468)
50	Reserved capital receipts	(132)
668,709	**Closing Capital Financing Requirement**	**718,072**

	Explanation of Movement in Year	
(1,814)	Increase in underlying need to borrow (supported by government financial assistance)	(1,880)
25,932	Increase in underlying need to borrow (unsupported by government financial assistance)	51,243
24,118	**Increase / (decrease) in Capital Financing Requirement**	**49,363**

Note 14 – Private Finance Initiatives and Similar Contracts

The Authority has two PFI contracts.

Provision of Neighbourhood Resource Centres (NRCs)

A PFI agreement was signed in 2002 for the provision of three Centres. The three NRCs were designed to replace the Authority's four Homes for Elderly People (HEP) and deliver a range of high quality services for older people. The NRCs opened between May and August 2004 and the contract is for 30 years. The Authority is leasing the sites to the Provider for 30 years at nil value and will be returned to the Authority for nil consideration at the end of the contract.

Provision of two secondary schools

The Authority entered into an agreement in 2009 for the provision of two schools, Crown Woods and Thomas Tallis. The schools came into operation during 2011/12 and the contract runs for 25 years. The sites were made available to the operator at nil value for the duration of the contract. In September 2014, Crown Woods converted to academy status. The Authority undertook a refinancing exercise of the PFI contract in 2016/17.

In accordance with the Code of Practice on Local Authority Accounting the assets provided under the PFI contracts and the sites provided by the Authority are recognised on the authority's Balance Sheet. Movements in value are detailed in the analysis movement on Property, Plant and Equipment.

Under these contracts the Authority paid £11.173m (NRCs) and £16.766m (secondary schools) in 2019/20. The Authority is required to make the following payments to the Providers of these contracts:

	NRCs			**Secondary Schools**		
Year	**Services £000**	**Interest £000**	**Capital £000**	**Services £000**	**Interest £000**	**Capital £000**
2020/21	8,948	1,456	627	5,519	7,404	1,805
2021/22 to 2024/25	39,317	4,648	2,443	19,126	28,446	12,776
2025/26 to 2029/30	55,059	4,225	4,309	33,033	25,930	19,776
2030/31 to 2034/35	53,288	2,106	7,808	38,385	13,898	30,352
2035/36 to 2037/38	0	0	0	8,337	2,682	16,073
Total	**156,612**	**12,435**	**15,187**	**104,400**	**78,360**	**80,782**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services delivered, the capital expenditure incurred in providing the facilities and interest payable. The payments under these PFI agreements are partially linked to Retail Price Index, adjusted for on an annual basis, and can be reduced if the contractor fails to meet the service or availability standards set-out in the contracts. The liability outstanding to pay the contractors for the capital expenditure incurred is as follows:

	NRCs		Secondary Schools	
Outstanding Liability	**2018/19**	**2019/20**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year	**16,157**	**15,704**	**86,072**	**83,336**
Payments during the year	(453)	(518)	(2,736)	(2,553)
Balance outstanding at year-end	**15,704**	**15,186**	**83,336**	**80,783**

The Authority has the right to terminate the contracts provided it compensates the contractors in full for all costs incurred, including the repayment of outstanding debt. In accordance with the contracts, the Authority may opt to refinance the PFIs through the contractors. During 2016/17 the Authority authorised the refinancing of its Secondary School PFI with the gain shared with the contractor. The savings realised by the Authority during 2019/20 and applied as a reduction in the interest charge was £0.369m (£0.403m 2018/19). The amounts held as deferred income in respect of this transaction at 31 March 2020 is;

PFI Deferred Income	**2018/19**	**2019/20**
	£000	**£000**
Not later than one year	369	337
Later than one year and not later than five years	1,186	1,086
Late than five years	1,864	5,890
Total	**3,419**	**7,313**

S106 Liabilities

Section 106 receipts are monies paid to the Authority by developers in relation to the granting of planning permission and typically detail works that are required to be carried out or relate to the provision of new facilities as a result of that permission (e.g. affordable homes, early years provision). These sums are ring-fenced and can only be spent as part of an agreement with the developer. As at 31st March 2020, the Authority held £42.659m of S106 liabilities (£45.692m 2018/19).

Note 15 – Leases

Authority as Lessee

Finance Leases

The Authority has an industrial estate and four premises held under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Finance Lease (Lessee)	**2018/19**	**2019/20**
	£000	**£000**
Other Land and Buildings	15,169	**23,290**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired and finance costs payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance Lease Liabilities (net present value of minimum lease payments)	**2018/19**	**2019/20**
	£000	**£000**
Current	2	2
Non Current	1,671	1,670
Finance costs payable in future years	5,255	5,175
Minimum lease payments	**6,928**	**6,847**

The minimum lease payments will be payable over the following periods:

Finance Lease Liabilities	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	2018/19	**2019/20**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**
Not later than one year	82	82	2	2
Later than one year and not later than five years	326	326	7	7
Late than five years	6,521	6,439	1,664	1,662
Total	**6,929**	**6,847**	**1,673**	**1,671**

Finance Lease Liabilities reported in the corresponding table within the 2018/19 Statement of Accounts were overstated as at 31 March 2019. The corrected position of £1,673k, reported in the table above, is a standalone item within the financial statements and has no further impact on the reported financial position of the Authority.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 contingent rents payable by the Authority were £240,972 (2018/19: £240,972).
The Authority has sub-let some units of the industrial estate held under the finance lease. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £1,795,013 (£2,068,882 at 31 March 2019).

Operating Leases

Property

The Authority has acquired some land and a number of buildings to assist with service provision throughout the Borough. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Leases	**2018/19**	**2019/20**
	£000	**£000**
Not later than one year	862	345
Later than one year and not later than five years	1,285	1,282
Later than five years	9,799	9,661
Minimum Lease payments	**11,946**	**11,288**

The leases are held for a variety of reasons and are charged to their relevant service line in the Comprehensive Income & Expenditure Statement. The lease payments recognised as an expense in the period total £1,032,708 (£1,344,678 in 2018/19). The Authority has sub-let some of the assets held under the above operating leases. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £1,042,810 (£1,299,957 at 31 March 2019).

Internal Leasing

The Authority operates an internal leasing fund for the acquisition of vehicles used principally in the provision of waste collection, building maintenance, street cleansing and passenger services. In 2019/20 the Authorities' accounts include expenditure to the value of £712,457 (£2,216,578.83 in 2018/19), which was funded by the internal leasing fund. Repayments were made to the fund in 2019/20 totalling £3,025,209 (£2,806,444 in 2018/19). The repayments are made to the fund to enable future replacement and are based on the expected primary life of the vehicle.

Authority as Lessor

Finance Leases

The Authority has leased out part of a Car Park (Calderwood Street) to a Building Management company on a finance lease with a remaining term of 107 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated of the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

Finance Lease Debtor (net present value of minimum lease payments)	**2018/19**	**2019/20**
	£000	**£000**
Non-current	308	308
Unearned finance income	7,773	7,698
Gross Investment in the Lease	**8,081**	**8,006**

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

Finance Lease Debtor	Gross Investment in the Lease 2018/19 £000	Gross Investment in the Lease 2019/20 £000	Minimum Lease Payments 2018/19 £000	Minimum Lease Payments 2019/20 £000
Not later than one year	75	75	75	75
Later than one year and not later than five years	299	299	299	299
Later than five years	7,707	7,632	7,707	7,632
Minimum Lease Payments	**8,081**	**8,006**	**8,081**	**8,006**

There have been no contingent rents received in respect of the Calderwood Street Car Park lease in 2019/20 (£nil in 2018/19).

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

Future Minimum Lease Payments	2018/19 £000	2019/20 £000
Not later than one year	3,847	3,843
Later than one year and not later than five years	11,173	12,100
Later than five years	21,282	24,002
Minimum Lease Payments	**36,302**	**39,945**

There have been no contingent rents received under operating lease agreements in 2019/20 (£nil in 2018/19).

Note 16 - Financial Instruments

Categories of Financial Instruments

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

	Carrying Value			
	Long Term		Short Term	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Investments				
Amortised Cost	10,640	18,172	156,742	104,140
Debtors*				
Amortised Cost	**6,880**	**1,867**	**58,771**	**54,702**
Cash and Cash Equivalents	**0**	**0**	**52,988**	**50,008**
Total Financial Assets	**17,520**	**20,039**	**268,501**	**208,850**
Borrowings				
Financial Liabilities at amortised cost	**(378,109)**	**(374,654)**	**(7,829)**	**(6,445)**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	**(97,640)**	**(95,206)**	**(3,073)**	**(2,434)**
Creditors**				
Amortised Cost	**0**	**0**	**(44,326)**	**(57,097)**
Cash Overdrawn	**0**	**0**	**(487)**	**(531)**
Total Financial Liabilities	**(475,749)**	**(469,860)**	**(55,715)**	**(66,507)**

** The figure for short-term debtors (net of bad debts provision) excludes prepayments of £2.175m (2018/19 £4.176m) and also excludes Collection Fund and Government entries of £16.208m (2018/19 £17.350m). The figure for long-term debtors excludes Collection Fund entries of £1.383m.*

*** The figure for creditors excludes prepaid income of £7.085m (2018/19 £5.461m) and also excludes Collection Fund and Government entries of £33.204m (2018/19 £29.593m).*

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure statement in relation to financial instruments are made up as follows:

Income, Expense, Gain and Loss	2018/19			2019/20		
	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Financial Assets: measured at fair value through Profit and Loss	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Financial Assets: measured at fair value through Profit and Loss
	£000	£000	£000	£000	£000	£000
Interest Expense	(27,627)	0	0	(28,320)	0	0
Interest Income	0	1,490	275	0	1,417	275
Gains/(losses) on financial assets	0	(350)	0	0	0	0

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by Investment, long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- based on rates for equivalent loans at that date (premature redemption rates for PWLB)
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

Except for the financial assets carried at fair value (described below), all other financial liabilities and financial assets represented by investment and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date.

As new loan rate borrowing comparison would not reflect the effect of the penalty charge that PWLB would raise on early repayment, a supplementary measure of the fair value of PWLB Commitment is to compare the terms of these loans with estimates of the terms that would be offered for the market transactions undertaken at the balance sheet date, which has been assumed as the PWLB Premature Repayment Rate. At the balance sheet date the fair value for PWLB would be £477m (18/19 £425m), LOBO £ 353m (18/19 £272m). The following table shows the Fair Value of PWLB and LOBO measured at New Loan Rate.

The fair values calculated are as follows:

Financial Liabilities Held at Amortised Costs	**Fair Value Level**	**31 March 2019 Carrying Amount £000**	**31 March 2019 Fair Value £000**	**31 March 2020 Carrying Amount £000**	**31 March 2020 Fair Value £000**
PFI/ Finance Lease	2	(100,731)	(134,196)	(97,641)	(137,892)
PWLB	2	(256,143)	(363,255)	(251,321)	(341,803)
LOBO	2	(129,795)	(205,339)	(129,778)	(196,724)
Overdrawn	N/A	(487)	(487)	(531)	(531)

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Assets	Fair Value Level	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
Financial assets held at amortised cost:					
Investment	2	167,382	167,263	122,312	122,207
Cash and cash equivalents	2	52,988	52,988	50,008	50,008
Short Term Debtors	N/A	58,771	58,771	54,702	54,702
Long Term Debtors	N/A	6,880	6,880	1,867	1,867

The fair value of the assets is lower than the carrying amount where the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions as at 31 March 2020) attributable to the commitment to receive interest below current market rates. Assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 17 - Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk - the possibility that the Authority might need to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. This requires the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Authority's overall borrowing
    - its maximum and minimum exposures to fixed and variable rates
    - its maximum and minimum exposures to the maturity structure of its debt
    - its maximum annual exposures to investments maturing beyond a year.
- by the adoption of a Treasury Policy Statement and treasury management by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 27 February 2019 and is available on the Council's website - https://committees.royalgreenwich.gov.uk/

Credit Risk

Credit risk arises from deposits with banks and financial institutions, investment securities and as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit default swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- share prices and news and information from the City via Bloomberg and other sources.
- UK institutions provided with support from the UK Government
- a £30m credit limit (with the exception of the UK Government)

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and securities. The Authority does not generally allow credit for customers. The past due but not impaired amount (forming part of the Authority's debtors) can be analysed by age as follows (all sums owing are due to be settled within one year):

Debtor Age	2018/19 £'000	2019/20 £'000
Less than three months	20,422	13,889
Three to six months	1,859	4,591
Six to one year	2,864	5,051
More than one year	9,659	12,419
Total	**34,804**	**35,950**

A summary of the credit quality of the Council's investments at 31 March 2020 is shown below:

2018/19 £'000		2019/20 £'000
Amortised Cost	Fitch Ratings	Amortised Cost
151,623	AA	-
-	AA-	97,532
5,000	A+	5,003
10,759	N/A	19,777
167,382		**122,312**

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Authority has investments in Treasury Bills, which are classified as "investment at amortised cost", which are readily tradable in a liquid market. The Authority has ready access to borrowings from banks to cover any day- to-day cash flow need and the PWLB and money markets for access to longer-term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates (see Refinancing Risk).

Refinancing Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Interest rates on loans varied between 3.52% -10.25% (2018/19: 3.52% - 11.62%). The principal maturity analysis of financial liabilities is as follows:

2018/19 £'000				2019/20 £'000		
PWLB	LOBO*	Total		PWLB	LOBO*	Total
4,837	-	4,837	Less than one year	3,455	-	3,455
3,455	-	3,455	Between one and two years	3,455	-	3,455
11,746	-	11,746	Between two and five years	8,291	-	8,291
19,002	-	19,002	Maturing in five to ten years	19,002	-	19,002
214,905	129,000	343,905	Maturing in more than ten years	214,905	129,000	343,905
253,945	**129,000**	**382,945**		**249,108**	**129,000**	**378,108**

*The LOBO maturity profile assumes that the lender will not exercise their option until maturity.

Within the "more than ten years" category, are £129m of market loans (LOBO`s). £119m is made up of varied interest rates between 3.99% and 4.55%, many of which have options built into them whereby, after a period of time the lender may ask for the rate payable to be changed. The Authority has the option to either accept this increase or repay the loan in full, without penalty. The risk to the Authority is that these options get exercised at a time of unfavourable interest rates. The Authority has set a limit on its long-term borrowing that can be undertaken on this basis. The option dates have been spread over several years to ensure that the risk of this scenario occurring is reduced. All trade and other payables are due to be paid in less than one year. A further £10m market loan (LOBOS) has been fixed at 3.89% interest with Barclays Bank in this category, whilst the remaining £249m is with PWLB Loans at various interest rates within the range stated above.

Market Risk

<u>Interest Rate Risk</u>

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure. The long-term borrowing of the Authority is held at a fixed rate and thus there would be no effect on the Comprehensive Income and Expenditure Statement, or the debit to the Housing Revenue Account, if interest rates were different from those that prevailed on the Balance Sheet date. Investments are mostly held at fixed rates with the exemption of the Lloyds 95 day notice account.

Price Risk

The Authority does not generally invest in equity shares but does have holdings of Treasury Bills. The Authority is consequently exposed to gains or losses arising from movements in the prices of these instruments should it wish to sell them before their maturity date. The Treasury Bills are all classified as 'Investment at amortised cost', meaning that all movements in price will impact on gains and losses recognised in income and expenditure in the surplus or deficit on the provision of services. There has been no major change in interest rate expectation between the date on which the securities were acquired and the Balance Sheet date, the carrying value thus equates to the fair value of the Treasury Bills. It is the Authority's current policy not to trade the securities before their maturity date unless there are exceptional circumstances.

Foreign Exchange Risk

The Authority has no financial assets / liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 18 - Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are eligible to be members of the Teachers' Pension Scheme, administered by the Department for Education. Certain Public Health employees who transferred to the Authority on 1 April 2013 are eligible to be members of the NHS Pension Scheme. The Schemes provide relevant employees with specified benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Schemes are technically defined benefit schemes. However, the Schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are accounted for on the same basis as defined contribution schemes.
In respect of Teacher's Pensions, the Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included within Note 19.

Scheme	Year ending 31 March 2019		Year ending 31 March 2020	
	Contributions paid	Percentage of pensionable pay	Contributions paid	Percentage of pensionable pay
	£000	%	£000	%
Teacher's Pensions	10,577	16.48	13,471	16.48 -23.68*
NHS Pension scheme	114	14.38	114	14.38
Total	**10,691**	**-**	**13,585**	**-**

**Total contributions paid into the Teachers' Pension Scheme in 2019/20 was £19.927m (£16.89m in 2018/19). The employer's contribution rate was 16.48% until the 31 August. On 1 September this increased to 23.68%.*

Note 19 - Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post- employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the benefit payments, and that needs to be recognised and disclosed at the time that employees earn their future entitlement. Benefits are therefore, guaranteed.

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the Royal Borough of Greenwich (RBG) – this is a funded defined benefit career average re-valued earnings scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Authority is an employer within the London Pension Fund Authority (LPFA), which is also a LGPS fund.

- Discretionary post- retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. No further awards have been made since 2008 in respect of the LGPS. However, this facility remains as part of the Teachers' Pension Scheme.

The policy for recognising actuarial gains and losses is that actuarial gains and losses are recognised in the reserves i.e. in Other Comprehensive Income and Expenditure.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions (in accordance with IAS 19). However, the charge required to be made against council tax is based on the cash payable in the year (derived from the employer contribution rates of 18.5% for RBG and 24.2% for LPFA, plus lump sums as required), therefore, the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Total Expense Recognised in the Comprehensive I&E Statement for Post-Employment Benefits	**LGPS (Funded)**				**Discretionary Benefits (Unfunded)**			
	2018/19	**2019/20**			**2018/19**	**2019/20**		
	Total	**RBG**	**LPFA**	**Total**	**Total**	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Comprehensive I&E Statement								
Cost of Services								
Service cost comprising								
Current service cost including admin expenses	**57,957**	60,869	419	**61,288**	**-**	-	-	**-**
Settlements and curtailments	**5,000**	485	-	**485**	**-**	-	-	**-**
Past Service Cost (McCloud Impact)	**0**	12,144	190	**12,334**				
Financing and Investment Income and Expenditure								
Net interest expense	**16,547**	14,645	(32)	**14,613**	**1,362**	1,114	62	**1,176**
Total Post Employment Benefit Charged to SoDoPS	**79,504**	**88,143**	**577**	**88,720**	**1,362**	**1,114**	**62**	**1,176**
Other Post Employment Benefit Charged to the Comprehensive I&E Statement								
Re-measurement of the net defined benefit liability comprising:								
Return on plan assets	**(65,746)**	109,279	3,872	113,151	**-**	-	-	**-**
Actuarial (gains) or losses arising on changes in demographic assumptions	**(106,722)**	(48,204)	831	(47,373)	**(60)**	(584)	20	**(564)**
Actuarial (gains) or losses arising on changes in financial assumptions	**65,727**	(170,574)	(5,614)	(176,188)	**1,024**	(1,126)	(113)	**(1,239)**
Experience (gain)/loss	**0**	69,222	(1,279)	67,943				
Other	**1,542**	16,756	1,380	18,136	**-**	-	-	**-**
Total Post Employment Benefit Charged to the Comprehensive	**(25,695)**	**64,622**	**(233)**	**64,389**	**2,326**	**(596)**	**(31)**	**(627)**

Movement in Reserves Statement								
Reversal of net charges made to SoDoPS for post- employment benefits (per Code)	**(79,504)**	(88,143)	(577)	**(88,720)**	**(1,362)**	(1,114)	(62)	**(1,176)**
Actual amount charged against the General Fund Balance for Pensions in the Year								
Employer's contributions payable to the scheme	**29,288**	**31,037**	**183**	**31,220**				
Retirement benefits payable to pensioners					**4,234**	**3,879**	**203**	**4,082**

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of it defined benefits plans is as follows:

Pensions Assets and Liabilities recognised in the Balance Sheet	**LGPS (Funded)**			
	2018/19		**2019/20**	
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Present value of defined benefit obligation	**(1,881,930)**	(1,773,399)	(76,284)	**(1,849,683)**
Fair value of plan assets	**1,272,476**	1,113,939	77,811	**1,191,750**
Other movements in liability/(assets) – asset ceiling	**(1,542)**		(32)	**(32)**
Net liability arising from Defined Benefit Obligation	**(610,996)**	**(659,460)**	**1,495**	**(657,965)**

Pensions Assets and Liabilities recognised in the Balance Sheet	**Discretionary Benefits (Unfunded)**			
	2018/19		**2019/20**	
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Net liability arising from Defined Benefit Obligation	**(51,164)**	**(43,879)**	**(2,361)**	**(46,240)**

Reconciliation of the movements in the Fair Value of Scheme (Plan) Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. However, from 2013/14 the expected return and the interest cost has been replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Reconciliation of movements in the Fair Value of the scheme (plan) assets	Local Government Pension Scheme			
	2018/19		2019/20	
	Total	RBG	LPFA	Total
	£000	£000	£000	£000
Opening balance 1 April	**1,188,460**	**1,226,363**	**87,160**	**1,313,523**
Interest on scheme assets	**30,058**	29,256	1,954	**31,210**
Re-measurement gain/ loss:				
Return on assets less interest	**65,746**	(109,279)	(3,872)	**(113,151)**
Other	**-**	(16,756)	(2,925)	**(19,681)**
Administration expenses	**(956)**	(1,090)	(113)	**(1,203)**
Employer contributions	**33,522**	34,916	386	**35,302**
Contributions by scheme participants	**11,040**	11,539	52	**11,591**
Benefits paid	**(61,758)**	(59,064)	(4,831)	**(63,895)**
Settlements	**6,364**	(1,946)	-	**(1,946)**
Closing balance 31 March	**1,272,476**	**1,113,939**	**77,811**	**1,191,750**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Reconciliation of present value of the Scheme Liabilities (Defined Benefit Obligation)	LGPS (Funded)				Discretionary (Unfunded)			
	2018/19		2019/20		2018/19		2019/20	
	Total	RBG	LPFA	Total	Total	RBG	LPFA	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance 1 April	**(1,851,941)**	**(1,852,238)**	**(84,324)**	**(1,936,562)**	**(55,570)**	**(48,354)**	**(2,810)**	**(51,164)**
Current service cost	**(57,001)**	(59,779)	(306)	**(60,085)**	**-**	-	-	**-**
Interest cost	**(46,605)**	(43,901)	(1,887)	**(45,788)**	**(1,362)**	(1,114)	(62)	**(1,176)**
Contributions by scheme participants	**(11,040)**	(11,539)	(52)	**(11,591)**	**-**	-	-	**-**
Remeasurement gains and losses	**(65,727)**	170,574	5,614	**176,188**	**(1,024)**	1,126	113	**1,239**
Change in demographic assumptions	**104,224**	48,204	(831)	**47,373**	**2,558**	584	(20)	**564**
Experience loss/(gain) on defined benefit obligation	**-**	(69,222)	1,064	**(68,158)**	**-**	-	215	**215**
Benefits paid	**57,524**	55,185	4,628	**59,813**	**4,234**	3,879	203	**4,082**
Settlements	**(985)**	3,447	-	**3,447**	**-**	-	-	**-**
Past service costs, including Curtailments	**(10,379)**	(14,130)	(190)	**(14,320)**	**-**	-	-	**-**
Closing balance 31 March	**(1,881,930)**	**(1,773,399)**	**(76,284)**	**(1,849,683)**	**(51,164)**	**(43,879)**	**(2,361)**	**(46,240)**

Local Government Pension Scheme Assets

The Discretionary Benefits arrangement has no assets to cover its liabilities. The LGPS assets consist of the following categories, by amount and proportion of the total assets held:

RBG Pension Fund	2018/19			2019/20		
	Quoted price in active markets £000	Not quoted price in active markets £000	Total £000	Quoted price in active markets £000	Not quoted price in active markets £000	Total £000
UK and Overseas Unit Trusts	-	292,990	**292,990**	-	243,300	**243,300**
Unitised insurance policies	-	438,710	**438,710**	-	414,276	**414,276**
Equity investments	-	109,560	**109,560**	-	101,934	**101,934**
Bonds	-	208,449	**208,449**	-	211,463	**211,463**
Property	-	124,597	**124,597**	-	125,071	**125,071**
Cash	-	11,010	**11,010**	-	17,895	**17,895**
Closing balance 31 March	**-**	**1,185,316**	**1,185,316**	**-**	**1,113,939**	**1,113,939**

LPFA	2018/19			2019/20		
	Quoted price in active markets £000	Not quoted price in active markets £000	Total £000	Quoted price in active markets £000	Not quoted price in active markets £000	Total £000
Equity investments	47,418	-	**47,418**	42,146	-	**42,146**
Property	-	8,196	**8,196**	-	7,106	**7,106**
Infrastructure	-	5,251	**5,251**	-	5,461	**5,461**
Target Return Portfolio	23,244	-	**23,244**	18,965	-	**18,965**
Cash	-	3,051	**3,051**	-	4,133	**4,133**
Closing balance 31 March	**70,662**	**16,498**	**87,160**	**61,111**	**16,700**	**77,811**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Both the LGPS and Discretionary Benefits liabilities have been assessed by Barnett-Waddingham, an independent firm of actuaries, using data from the full triennial valuation as at 31 March 2016. The principal assumptions used by the actuary have been:

Assumptions	RBG		LPFA	
	2018/19	2019/20	2018/19	2019/20
Mortality assumptions (yrs)				
Longevity at 65 for current pensioners				
Men	21.6	20.8	19.9	20.7
Women	23.6	23.5	23.2	23.6
Longevity at 65 for future pensioners				
Men	23.3	23.3	21.8	22.2
Women	25.4	25.1	25.1	25.1
Other assumptions (%)				
Rate of inflation (RPI)	3.4	2.70	3.4	2.85
Rate of inflation (CPI)	2.4	1.90	2.4	1.95
Rate of increase in salaries	3.9	2.90	3.9	2.95
Rate of increase in pensions	2.4	1.90	2.4	1.95
Rate for discounting scheme liabilities*	2.4	2.35	2.3	2.3
Take up of option to convert annual pensions into retirement lump sum	50.0	50.0	50.0	50.0
50/50 take up	10.0	10.0	10.0	10.0

*effectively also equal to the expected return.

RBG and LPFA assume all members will retire at one age for all tranches of benefit, which will be the weighted average tranche retirement age.

There have been marginal changes in the rate for discounting scheme liabilities between 2018/19 and 2019/20 for RBG and the LPFA scheme. RBG decreased by 0.05% and LPFA decreased by 0.20%. Had the discount rate remained at 2018/19 levels, the defined benefits obligation for RBG would have decreased by £43.6m and LPFA would have decreased by £2m.

Change in Assumptions	Increase in assumption			Decrease in assumption		
	RBG	LPFA	Total	RBG	LPFA	Total
	£000	£000	£000	£000	£000	£000
Rate for discounting scheme liabilities (increase or decrease by 0.1 %)	(33,960)	(984)	**(34,944)**	34,640	998	**35,638**
Rate of increase in salaries (increase or decrease by 0.1 %)	2,558	35	**2,593**	(2,541)	(34)	**(2,575)**
Rate of increase in pensions (increase or decrease by 0.1 %)	32,201	966	**33,167**	(31,601)	(954)	**(32,555)**
Longevity (increase or decrease in 1 year)	86,698	2,625	**89,323**	(82,474)	(2,540)	**(85,014)**

Asset and Liability Matching Strategy

Previously, synthetic equities, swaps and other Liability Driven Investment were included in the LDI/Cashflow matching category with any cash collateral included in the Cash category. This year, to reflect the way that the LPFA show this in their asset allocation, the synthetic equities have been grouped with traditional equities and the swaps and other Liability Driven Investment are grouped as Cash.

Impact on the authority's cash flows

The liabilities show the underlying commitments that the Authority has in the long run to pay post- employment (retirement) benefits. The total liability of £704.205m (2018/19: £662.160m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet resulting in an overall balance of £1.770bn (2018/19: £1.855bn). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The objective of the scheme is to achieve 100% funding. Funding levels are monitored on an annual basis. A triennial valuation was carried out as at 31 March 2016, utilising three pools of employers within the scheme. The valuation has taken account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings to pay pensions and other benefits to certain public servants. The latest valuation as at 31
March 2019 will be reflected in the 2020/21 accounts. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026. The total contributions expected to be made in respect of funded defined benefits by the Authority in the year to 31 March 2021 are £30.861m. The weighted average duration of the defined benefit obligation for RBG scheme members is 18 years and LPFA scheme members 13 years.

Note 20 - Short Term Debtors

31-Mar-19	Short Term Debtors	31-Mar-20
£000		£000
16,254	Central government bodies	5,645
3,781	Other local authorities	3,672
10,921	NHS bodies	6,544
1,804	Council Tax Court Cost	1,551
9,624	Council Tax Arrears	9,253
7,479	Housing Benefit Overpayment Debt	7,821
1,779	Housing Rents	3,168
1,088	Business Rates Debt	317

27,567	Other	34,121
80,297	**Total**	**72,092**

Debtors are shown net of bad debts provision of £45.680m at 31st March 2020 and £39.785m at 31st March 2019.

Note 21 – Debtors for Local Taxation

Aged Taxation Arrears	Council Tax		Business Rates	
	2018/19	**2019/20**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**
Not later than one year	3,866	3,669	498	174
Later than one year and not later than five years	4,263	4,059	504	125
Later than five years	1,495	1,524	86	18
Total	**9,624**	**9,252**	**1,088**	**317**

Note 22 - Short Term Creditors

31-Mar-19	Short Term Creditors	31-Mar-20
£000		**£000**
(6,630)	Central government bodies	(14,228)
(18,023)	Other local authorities	(13,543)
(1,282)	NHS bodies	(779)
(4,063)	HRA	(5,861)
(6,513)	Council Tax	(6,712)
(3,213)	Business Rates	(2,230)
(39,658)	Other entities and individuals	(54,033)
(79,381)	**Total**	**(97,386)**

Note 23 – Provisions

Provisions	1 April 2019	Amounts Used/Reversed	Additional Provisions	31 March 2020
	£000	£000	£000	£000
Accumulated Absence	(6,851)	6,851	(7,964)	(7,964)
Total (Short Term)	**(6,851)**	**6,851**	**(7,964)**	**(7,964)**
Insurance	(7,876)	2,210	0	(5,666)
Business Rates Appeals	(9,888)	2,327	0	(7,561)
Total (Long Term)	**(17,764)**	**4,537**	**0**	**(13,227)**

The Accumulated Absences provision represents the accrual for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

The Authority's internal insurance fund account is used to cover the cost of insurance. The fund is used to meet the insurance premiums, meet the cost of the insurance claims beneath the insurance excess and provide for insurance claims that have yet to be settled. Through the fund a wide range of insurance risks are covered. These include public liability, employer's liability, vehicles and fire. The timing of any outstanding claims is dependent upon third party solicitors and the courts and it is therefore impossible to state clearly, when the resultant economic benefit transfer will occur. There is also uncertainty around existing claims so no assumptions have been made in respect of future events, and reimbursements. The costs within the Authority's internal insurance fund are met through contributions from departmental services towards the cost of insurance, through central support charges. The Authority previously used Municipal Mutual Insurance Limited to provide insurance cover, until its demise in the 1990s. MMI has continued to meet claims covering the period up until it ceased providing further cover. However, under the administration arrangements, there was provision for scheme creditors (of which the Authority is one) to be called upon to contribute to future scheme liability.

The Business Rates Appeals provision represents the Authority’s share of contributions made to the Collection Fund Income and Expenditure Account for a provision in relation to business rate appeals. Though the total provision across the Collection Fund remains broadly the same, in 2019/20 the share of Collection Fund balances attributable to Greenwich decreased from 64% to 48%. This has therefore resulted in a decrease to this provision.

Note 24 - Agency Services

Mayoral CIL

The Authority acts as an Agent for Transport for London in respect of Mayoral (CIL) raised to support strategic infrastructure projects across the Capital and is able to retain up to 4% for administration and collection purposes. During 2019/20 £0.121m was retained and as at 31 March 2020 £1.276m was held on behalf of Transport for London.

Mayoral (CIL)		
	2018/19	**2019/20**
	£000	**£000**
Balance at start of the year	**4,783**	**2,138**
Contributions	2,607	2,436
Recognised administration fee	(255)	(121)
Transfers to TfL	(4,997)	(3,177)
Balance at end of the year	**2,138**	**1,276**

Thames Water
The council charges its Housing tenants for water rates on behalf of Thames Water. The amount repayable to Thames Water is reduced by a commission, void rate, arrears and impairment allowance for doubtful debt, all at fixed percentages based on the total water charge.

Water Rate receipts at the end of 2019/20 amounted to £7.190m, of which £6.215m was transferred to Thames Water. The commission element is £0.975m.

Council Tax and NDR
The collection of Council Tax and Business Rates income is in substance also an agency arrangement.

Note 25 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, 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 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20:

Dedicated Schools Grant	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for 2019/20 before academy recoupment			301,418
Academy figure recouped for 2019/20			(92,158)
Total DSG after academy recoupment for 2019/20			**209,260**

Plus: Brought Forward from 2018/19			5,415
Less: Carry-forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution in 2019/20	**33,073**	**181,602**	**214,675**
In year adjustments	-	1,072	1,072
Final Budget distribution for 2019/20	**33,073**	**182,674**	**215,747**
Less: Actual central expenditure	(30,908)		(30,908)
Less: Actual ISB deployed to schools		(173,918)	(173,918)
Plus: Local authority contribution for 2019/20	-	-	-
Carry-forward to 2020/21	**2,165**	**8,756**	**10,921**

The total amount of reserves held by schools at 31 March 2020 was £8.684m (£11.770m at 31 March 2019).

Note 26 - Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), a partnership arrangement exists between the Authority and Oxleas National Health Service Foundation Trust in respect of mental health. The pooled budgets meet the cost of providing all services for people from this client group.

Greenwich Integrated Mental Health Service	**2018/19 £000**	**2019/20 £000**
Funding provided to the pooled budget by		
the Authority	(2,424)	(2,215)
the Trust	(25,100)	(27,340)
Sub Total	**(27,524)**	**(29,555)**
Expenditure met from the pooled budget by		
the Authority	2,390	2,419
the Trust	26,760	30,273
Sub Total	**29,150**	**32,692**
Net (surplus) / deficit arising on the pooled budget during the year	**1,626**	**3,137**

As it is the lead partner, all detailed transactions are shown in Oxleas Trust accounts.

The national £3.8bn Better Care Fund (BCF) was announced by the Government in the June 2013 spending round as a mechanism for the transformation of integrated health and social care. From 2015/16, there was a national requirement to operate the BCF as a pooled budget. Resources would be transferred to individual Clinical Commissioning Groups (CCG's) from NHS England, and from the CCG's to the pooled budgets. The Authority and Greenwich CCG have entered into such an arrangement, and an agreed level has been entered into a single pot that has then been used to commission and/or deliver health and social care services. The total BCF pot for Greenwich in 2019/20 (CCG & Authority), was £22.718m (inc DFG).

Better Care Fund	**2018/19 £000**	**2019/20 £000**
Pooled Budget Funding		
the Authority	(13,008)	(13,452)
the Greenwich CCG	(8,409)	(9,266)
Sub Total	**(21,417)**	**(22,718)**
Expenditure incurred from pooled budget		
the Authority	12,850	13,294
the Greenwich CCG	8,409	6,866
Sub Total	**21,259**	**20,160**
Net (surplus) / deficit arising on the pooled budget during the year	**(158)**	**(2,558)**

Note 27 - External Audit Costs

The Authority 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 Authority's external auditors:

External Audit Costs	**2018/19 £000**	**2019/20 £000**
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	150	185
Fees payable to external auditors for the certification of grant claims and returns for the year.	13	15
Fees payable in respect of other services provided by external auditors during the year	10	0
Total	**173**	**200**

Note 28 - Related Parties

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority. The UK Government exerts significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the

Authority operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 5 Taxation and Grant Income.

Officers

- M Armstrong, an employee of the Authority, is seconded to GSP Ltd and GSS Ltd to offer financial support services. See note below.
- M Bakalovic, an employee of the Authority, is a Managing Director of GSP Ltd and GSS Ltd. See note below.
- J Carswell, an employee of the Authority, is married to the Executive Director of London & Quadrant Housing Association. An amount of £25,253 relating to charges for the use of properties as landlord accommodation was paid to the organisation from the Authority during the year.
- T Dorling, an employee of the Authority, is a Managing Director of D G Cities Limited. See note below.
- I Tasker, an employee of the Authority, is seconded as the Chief Operations Officer of GSP Ltd and GSS Ltd. See note below.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 29.

- Councillor M Hartley, acting in a personal capacity, is a Director of Greenwich and Bexley Credit Union. Payments for investments on behalf of members were paid over from the Authority to the amount of £1,448,061 during the year, with an outstanding amount owing of £129,125.

- Councillor A Khaireh, employed at the Greenwich Islamic Centre, an amount of £250,704 was paid to the organisation during the year.

- Councillor C May, a member of the Authority, is married to an employee of Cycle Confident. An amount of £198,145 was paid to the organisation from the Authority during the year, with an outstanding amount owing of £24,261.

Some Members of the Authority are nominated to the board of local organisations as Authority Appointed Members and have declarable transactions not listed above, as follow

Name of Organisation	Councillor(s)	Value of Transactions £	Outstanding Balances £
Charlton Triangle Homes	Councillor N Adams Councillor G Dillon Councillor L Perks	160	0
Royal Borough of Greenwich Destination Management Company	Councillor D Scott McDonald Councillor M Williams	See note below	See note below
DG Cities Limited	Councillor S Brain Councillor D Hyland	See note below	See note below
Eltham Crematorium Joint Committee	Councillor D Gardner		

	Councillor D Hyland (Deputy) Councillor S James (Deputy) Councillor C Kirby (Deputy) Councillor A Lekau (Deputy) Councillor D Scott McDonald (Deputy) Councillor J Smith (Deputy) Councillor D Thorpe (Deputy) Councillor M Williams	See note below	See note below
Greenwich Co-operative Development Agency	Councillor J Fahy	477,918	9,360
Greenwich Dance Agency	Councillor N Adams	168,861	0
Greenwich & Docklands International Festival	Councillor M Williams	192,000	0
Greenwich Housing Rights	Councillor G Dillon	183,330	
Greenwich Leisure Ltd	Councillor P Brooks Councillor G Dillon Councillor A Khaireh Councillor A Smith Councillor J Smith (Deputy) Councillor M Williams	10,585,668	1,181,803
Greenwich Services Plus	Councillor G Dillion	See note below	See note below
Greenwich Service Solutions	Councillor S Brain	See note below	See note below
Greenwich Theatre Board	Councillor N Adams Councillor N Fletcher Councillor D Stanley	83,710	0
Greenwich Young People's Theatre	Councillor J Smith	152,569	0
LGA General Assembly	Councillor A Cousins Councillor D Mbang Councillor A Okereke Councillor D Thorpe Councillor D Hyland	48,032	0
Local Government Information Unit	Councillor A Smith	21,950	0
London Councils (Grants Committee) London Councils (Greater London Employment Forum) London Councils (Leaders Committee) London Councils (Pensions Collective Investment Vehicle)	Councillor M Williams Councillor D Gardiner Councillor D Thorpe Councillor O Babatola Councillor P Brooks	930,052	0

London Councils (Transport & Environment Committee)	Councillor S James (Deputy) Councillor D Scott-McDonald		
Middle Park Community Centre	Councillor M James Councillor C May	86,007	2,715
Oxleas Foundation Trust	Councillor A Lekau	15,677,646	943
Royal Greenwich Heritage Trust	Councillor G Parker Councillor M Williams	See note below	See note below
South East Enterprise	Councillor D Hyland	148,164	0
South East London Combined Heat and Power Company (SELCHP)	Councillor D Scott McDonald	6,306,213	0
Wide Horizons Outdoor Education Trust	Councillor L Bird	6,667	0

Other Public Bodies

The Authority has entered into a pooled budget agreement with Oxleas NHS Foundation Trust as outlined in Note 26.

Eltham Crematorium

The Authority runs the Eltham Crematorium under a joint committee arrangement with the London Borough of Bexley and Dartford Borough Council.

2018/19 £000	**Eltham Crematorium Transactions**	**2019/20 £000**
941	Amounts held in Royal Borough of Greenwich bank account	848
293	Annual Support Service Cost	295
303	Surplus Distribution	248

Pension Fund

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund.

2018/19 £000	**Pension Fund Transactions**	**2019/20 £000**
904	Annual Support Service Cost	1,123
28,725	Employer Contributions into the Fund	30,233

Entities Controlled or Significantly Influenced by the Authority

Greenwich Service Solutions Limited (GSS) – subsidiary

Established in 2008 with a share capital of one hundred £1 shares, GSS activities include:

- Catering
- Cleaning
- Facilities Management.

Greenwich Service Plus Limited (GSP) – subsidiary

Established in 2009, limited by guarantee, GSP is a Teckal company undertaking activities including:

- Catering
- Fleet Management and Maintenance
- Passenger Services
- Building Cleaning
- Facilities Management.

D G Cities Limited. – subsidiary

Formed in 2015 with a share capital of one hundred £1 shares, DG Cities Ltd is a wholly owned Council company. The company was established to advance the Council's work on the digital economy, smart city innovation, and secure innovation funding for the Borough.

Transactions during the year included payments to DG Cities Ltd from RBG for reimbursement of costs in delivery of the Gateway Driverless Car Project. The cost to RBG will be negated with funding provided by Innovate UK.

Royal Borough of Greenwich Destination Management Company (RBGDMC) – associate

Established in 2013, RBGDMC is a community interest company, which was formed between six parties:

- Royal Borough of Greenwich
- Greenwich Hospital
- Ansco Arena Limited
- Enderby Wharf Limited
- Greenwich Trading Company Limited
- National Maritime Museum.

The Board has capacity for thirteen directors, with the authority appointing two, each other member appointing one and six to be appointed by those seven directors.

Its main objectives are to promote tourism and investment into the Royal Borough and contribute to enhancing perceptions of the Royal Borough of Greenwich as a place to visit, live, work and study.

Royal Greenwich Heritage Trust (RGHT) - associate

Established in 2014, RGHT is a Charitable Incorporated Organisation. The Board has capacity for thirteen trustees, with the authority appointing two.
A formal Transfer Agreement between the authority and RGHT included Charlton House, the Greenwich Heritage Centre & the Tudor Barn in Eltham.

RGHT will act in the role of custodian for certain borough memorials and includes as its key charitable objectives:

- Care and conservation of assets
- Education concerning the history of the Royal Borough.

Related Party Transactions of Entities Controlled or Significantly Influenced by the Authority

2018/19				Transactions	2019/20			
Payable £000	Creditor £000	Receivable £000	Debtor £000		Payable £000	Creditor £000	Receivable £000	Debtor £000
(0)	0	0	0	GSS	(0)	0	0	0
(30,360)	(3,398)	1,103	2,544	GSP	(27,888)	(1,831)	840	3,505
(230)	0	80	0	D G CITIES	(81)	(26)	50	*1,500
(296)	0	11	1	RBGDMC	(274)	(122)	5	0
(671)	0	53	0	RGHT	(555)	(49)	47	14

*Includes a short-term treasury loan of £1,500,000.

Note 29 - Members' Allowances

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

Members Allowances	2018/19 £	2019/20 £
Allowances	951,793	980,317

Note 30 - Officers' Remuneration

Senior Employees

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

Post Title	Note	Name	Year	Salary, Fees and Allowances £	Compensation for loss of office £	Pension Contributions £	Totals £
Chief Executive		D Warren	2019/20	198,466		36,716	235,182
		D Warren	2018/19	194,574		35,996	230,570
Director of Communities & Environment (Deputy Chief Exec)		K Delaney	2019/20	180,423		33,378	213,801
		K Delaney	2018/19	176,885		32,724	209,609
Director of Regeneration, Enterprise and Skills		P Hack	2019/20	153,891		28,470	182,361
		P Hack	2018/19	151,076		27,912	178,988
Director of Health and Adult's Services	1	S McClinton	2019/20	67,172		12,427	79,599
	2	S Pearce	2019/20	79,097		15,217	94,314
		S Pearce	2018/19	161,476		29,836	191,312
Director of Housing & Safer Communities			2019/20	143,278		26,506	169,784
			2018/19	139,167		25,746	164,913
Director of Children's Services			2019/20	137,971		25,525	163,496
			2018/19	135,265		25,024	160,289
Director of Improvement	3		2019/20	137,941		25,519	163,460
Director of Legal			2019/20	137,814		25,492	163,306
Head of Legal			2018/19	104,050		19,249	123,299
Director of Finance (Section 151 Officer)	4		2019/20	137,722		25,478	163,200
	5		2018/19	144,575		26,861	171,436

1. Post holder commenced service 04.11.19
2. Previous post holder last day of service 30.09.19
3. Post holder commenced position 03.04.19. The post holder also occupies the role of Deputy Director of Communities and Environment and Managing Director GSP/GSS
4. Post holder acted up to the position to 30.06.19 and commenced the permanent position from 01.07.19
5. Post holder acted up to this position from 01.04.18 to 17.03.19

Officer Bandings

The Authority's employees receiving more than £50,000 remuneration for the year, excluding the senior officers listed above (but excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2018/19 No of employees	2019/20 No of employees
£50,000 - £54,999	285	283*
£55,000 - £59,999	160	180*
£60,000 - £64,999	86	110*
£65,000 - £69,999	54*	52*
£70,000 - £74,999	35*	34
£75,000 - £79,999	23*	26*
£80,000 - £84,999	12*	22*
£85,000 - £89,999	12*	10*
£90,000 - £94,999	22*	16*
£95,000 - £99,999	6*	4
£100,000 - £104,999	3	7
£105,000 - £109,999	4	5
£110,000 - £114,999	5*	2
£115,000 - £119,999	1	2
£120,000 - £124,999	2	1
£125,000 - £129,999	0	2*
£130,000 - £134,999	0	1*
£135,000 - £139,999	0	0
£140,000 - £144,999	1	1

* includes amounts payable in respect of compensation for loss of office

Termination Benefits

A number of employee contracts have been terminated. Amounts contained within the Accounts relating to their remuneration by way of redundancy / other payments made are shown below. An element relating to pension fund strain is also recorded within the figures. The strain is calculated under IAS19, but the amounts actually payable by the Authority to the relevant pension fund are calculated separately and are on a different basis. The vast majority of the strain is taken into account at each triennial valuation - totals within the bandings below for the year include £1.371m relating to pension strain (£0.985m in 2018/19). The numbers of exit packages with total value per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	**Compulsory Redundancies**		**Other Departures Agreed**		**Total Exit Packages by Cost Band**		**Total Cost of Exit Packages in each Band***	
	2018/19	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**
	No	**No**	**No**	**No**	**No**	**No**	**£**	**£**
£0 - £20,000	4	1	18	21	22	22	£163,125	£249,512
£20,001 - £40,000	1	1	5	13	6	14	£177,287	£405,066
£40,001 - £60,000	0	0	5	3	5	3	£252,557	£150,486
£60,001 - £80,000	0	1	2	1	2	2	£165,754	£142,952
£80,001 - £420,000	0	0	6	6	6	6	£1,323,893	£1,363,483
Total	**5**	**3**	**36**	**44**	**41**	**47**	**£2,082,616**	**£2,311,499**
Creditors							**0**	**£52,163**
Cost Charged to the Comprehensive I&E Statement							**£2,082,616**	**£2,363,662**

Note 31 - Contingent Liabilities

As at 31 March 2020, the Authority had no material contingent liabilities.

Note 32 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The accounts contain estimated figures that are based on assumptions made by the Authority 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. The items in the Authority's balance sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

<table>
<tr><th>Item</th><th>Uncertainty</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Arrears</td><td>At 31 March 2020, the authority had a general fund balance of Sundry Debtors totalling £47.8m. A review of significant balances suggested that an impairment of doubtful debts of 15.3% (£7.3m) was appropriate. Within this calculation an additional provision was made to reflect the economic climate due to Covid-19. However, given the significant ongoing economic uncertainty, it is possible that such an allowance would not be sufficient.</td><td>If collection rates attributable to collecting aged general fund debt were to deteriorate by 5%, the allowance would need to increase by £2.37m.</td></tr>
<tr><td>European Union Withdrawal (BREXIT)</td><td>There is still uncertainty about the implications of the UK's decision to leave the European Union. At the current time it is not clear what the implications are for asset valuations, financial instruments, investments and pension liabilities. The assumption has been made that this will not significantly impair the value of the Authority's assets or change the discount rate.</td><td>This may result in the Authority incurring higher impairment charges and revisions to the net pension liability resulting from adjustments to the discount rate.</td></tr>
<tr><td>Business Rates</td><td>The Authority must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data, previous experience, facts and intelligence gathered, as at the end of the reporting period.</td><td>It is possible that the estimate provided may not be sufficient to meet claims arising e.g. through greater success rates than previously experienced. The current Business rates appeals provision at 31/03/20 is £7.6m. A 10% increase in the current success rate used to calculate the impact of appeals would cost an additional £0.7m.</td></tr>
<tr><td>Current Value Estimations</td><td>Assets included in the Balance Sheet at current value are re-valued regularly, and at intervals of not less than 5 years, to ensure that their carrying amount is not materially different from their current value.

Due to the impact of Covid-19 valuations are reported on the basis of 'material uncertainty' in accordance with the RICS Red Book Global Standards. Therefore, a higher degree of caution is attached to the valuations reported at the balance sheet date.</td><td>The impact of a 10% change on the valuation of assets held at current value would be £34.956m.</td></tr>
<tr><td>Fair Value Estimations</td><td>When the fair values of surplus assets, investment properties and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets.
Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.
The impact of Covid-19 at the reporting date remains unclear; therefore in accordance with the RICS Red Book Global Standards valuations are reported on the basis of 'material uncertainty', with a higher degree of caution attached to the valuations.</td><td>The Authority primarily uses evidence of property transactions and market interest in properties not yet transacted to measure the fair value of its surplus assets, investment properties and assets held for sale. The significant unobservable inputs used in the fair value measurement include judgements made by valuers on how to apply such evidence.

Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement The impact of a 10% change in valuations is set out below:

<table><tr><th>Category</th><th>£000</th></tr><tr><td>Assets Held for Sale</td><td>5,368</td></tr><tr><td>Investment Properties</td><td>700</td></tr><tr><td>Surplus Assets</td><td>1,056</td></tr></table></td></tr>
</table>

HRA Dwelling Valuations	Council dwellings held within the HRA are valued using the beacon methodology every 5 years. These valuations are adjusted annually using a local, market-based indexation factor. The next beacon valuation year is 2020/21. Due to the impact of Covid-19 valuations of dwellings are reported on the basis of 'material uncertainty' in accordance with the RICS Red Book Global Standards and therefore a higher degree of caution is attached to the valuations reported at the balance sheet date.	The impact of a 10% change on the valuation of dwellings would be £147.362m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements, including those relating to: • the discount rate used • the rate at which salaries are projected to increase • the rate at which pensions are projected to increase • longevity rates. There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused appeal to the Supreme Court in June 2019 and now it is for the Scheme Advisory Body to determine how this matter is to be resolved. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effect upon the net pensions liability of changes in individual assumptions can be measured and these are disclosed within note 19. If their longevity was actually more representative of someone that was one year older, liabilities would increase by £89m (decrease by £85m if one year younger). If discount rates had maintained their 2018/19 levels, then the net pensions liability would have decreased by £17m compared to that calculated herein. However, the assumptions interact in complex ways and during 2019/20, the actuaries advised that, overall, the net pensions liability had increased by £28m as a result of updating estimates to reflect current market conditions. The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries using guidelines from GAD indicate a potential pension liabilities of 0.65%, or £12m for the Council. This figure is based on a worst case scenario and the impact will be reduced if the remedies proposed are not as extensive as in the original GAD report.
Pension Fund Property, Private Equity & diversified alternative (excluding pooled property)	The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, level 3 asset valuation risk may have increased level of uncertainty and the estimated valuations may be misstated. There is an extremely wide range of possible outcomes, resulting in a particularly high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed to return to a "steady state". See note 14 for further detail in the Pension Fund Statement of Accounts.	The Council have a 90% share of the total level 3 investments within the pension fund financial statements (excluding pooled property). This totals £115,811m. Having analysed historical data and current COVID -19 impact and consulted with the Funds' performance management advisors, there is a risk that the actual values are lower than was estimated at year-end. This could result in a fall of valuations, estimated between 2.6-5.2%, which could see about a fall of £5.972m. The effect of variations in the factors supporting the valuation is highlighted in note 14 in the Pension Fund Statement of Accounts.
Pension Fund Pooled Property (CBRE)	There are uncertainties in the financial markets caused by the current Coronavirus pandemic. Market activity is being impacted in all sectors and, as at the valuation date, it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. Due to these uncertainties, there is a risk that the estimated values may be under or overstated. The current response to COVID-19	The Council have a 90% share of the total Pooled Property Funds are £136.6m. Having engaged with the fund managers the predicted outcome of COVID-19 on these estimated valuations, there is a risk that the actual values are lower than was estimated at year-end , this could result in a fall of valuations, estimated between 0-2.6% of the reported value,

	means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as set out in VPGA10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.	which is between £0-£3.55m of the above.
PFI / Finance Leases	These arrangements have an implied finance lease within the agreement which (on a constant basis) has been used to calculate future payments disclosed within the accounts.	The PFI arrangements are inherently long term in nature. Fluctuations in the inflation indexation could result in future payments being higher than presented.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic environment makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £2.1m for every year that useful lives had to be reduced.

Note 33 - Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2020/21 Code. New or amended standards contained in the 2020/21 code that will apply from 1st April 2020 are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. This is not expected to have a material impact on the financial statements.

IAS19 Employee Benefits - Amendments on the treatment of curtailment or settlements for defined pension obligation schemes. This has been adopted for 2020/21. Therefore, the effect of these amendments will depend on future actuarial assessment, so it is not possible to determine if there will be a material impact on the Council's accounts.

IFRS 16 Leases - Supersedes IFRS 17 and no longer distinguishes between financing and operating leases, requiring that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases). In light of the outbreak of Covid-19 CIPFA/LASAAC announced a further deferral to the adoption of IFRS 16 to accounting periods commencing on or after 1 April 2021. Recognition of future cash flows for contingent rental elements on existing finance leases is likely to have a material impact on the Councils balance sheet, however it is not possible to accurately estimate the impact of the adoption at this time.

Note 34 - Critical Judgements in Applying Accounting Policies

Significant judgements are made by management in applying accounting policies, which could have a material effect upon the accounts.

Group Boundaries

The group boundaries have been estimated using the criteria associated with the Code. In line with this, the Authority has identified three subsidiaries and two associates. The authority has deemed that the activities of these entities are not sufficient to produce full group accounts.

PFI and Similar Contracts

The Authority has made judgements as to whether PFI and similar contracts require to be accounted for on the Balance Sheet. These judgements are based on whether the Authority controls or regulates what services the operator provides with the infrastructure, to whom it must provide them and at what price and whether the Authority controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the arrangement.

Asset Classifications

The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.

Schools

There are several types of school within the borough. The Code in relation to their recognition on the balance sheet is an area that has been supplemented by Technical Guidance and the authority has undertaken a review of schools on a case by case basis. The Authority recognises schools' assets on the balance sheet where future economic benefits or service potential associated with the school will flow to the authority. Control over service potential is based on control over use of assets over their useful life. The table outlines the types of school within the borough and whether they appear on the authority's balance sheet. Furthermore, schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status.

School Type	On Balance Sheet
Community	✓
Voluntary Controlled (VC)	✓
Voluntary Aided (VA)	×
Trust	×

Foundation	×
Academies	×
Independent	×
Free schools	×

Note 35 - Material Items of Income and Expense

There are no material items that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement or elsewhere within the Accounts.

Note 36 - Events after the Reporting Period

The Statement of Accounts was authorised for issue by the S151 Officer on 25 November 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There were no adjusting events taking place between the reporting period end and the authorised for issue date.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2020 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

Schools Transferring to Academy Status
Wingfield Primary School has received approval to convert to Academy status from the Department for Education. This asset is classed as Other Land & Buildings within Property, Plant and Equipment at a value of £18.6m.

Covid-19
The outbreak of Covid-19, declaration of a 'Global Pandemic' by the World Health Organisation on 11 March 2020 and subsequent associated events have wide reaching implications for the Royal Borough of Greenwich. The impact of these events is cumulative and have yet to be fully realised. In accordance with the RICS Red Book Global Standard 'material uncertainty' has been declared in respect of the valuation of dwellings and assets held at Fair Value; however as at the date on which the Statement of Accounts was authorised for issue the impact remains unquantifiable and non-adjusting.

The effects of the pandemic have not had a material impact on the Council's financial outturn for 2019/20. Significant impact is expected to materialise during 2020/21 and beyond. More details on this can be found in the narrative report.

Asset Disposal
On 19 November 2020 the Authority disposed of its interest in Riverside House East and Riverside House West. The assets are classed as Held for Sale within Property, Plant and Equipment at 31 March 2020, with a combined value of £17m.

Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

Income and Expenditure Account	Note	Council Tax £000	Business Rates £000	Total 31/03/19 £000	Council Tax £000	Business Rates £000	Total 31/03/20 £000
Income							
Council Tax Income	4	(121,647)	0	**(121,647)**	(130,143)	0	**(130,143)**
Business Rates Receivable	5	0	(93,201)	**(93,201)**	0	(98,704)	**(98,704)**
Business Rates Supplement	6	0	(2,773)	**(2,773)**	0	(2,972)	**(2,972)**
Business Rates Transitional Payments		0	2,693	**2,693**	0	1,370	**1,370**
Total Income		**(121,647)**	**(93,281)**	**(214,928)**	**(130,143)**	**(100,306)**	**(230,449)**
Expenditure							
Precepts and Demands							
Council Tax							
Royal Borough of Greenwich		91,024	0	**91,024**	96,863	0	**96,863**
Greater London Authority		23,592	0	**23,592**	26,553	0	**26,553**
Business Rates							
Royal Borough of Greenwich		0	50,890	**50,890**	0	41,715	**41,715**
Greater London Authority		0	28,626	**28,626**	0	23,465	**23,465**
Central Government		0	0	**0**	0	21,727	**21,727**
Business Rates Supplement	6	0	2,767	**2,767**	0	2,966	**2,966**
Previous Year's Surplus/(Deficit)							
Council Tax	7	4,500	0	**4,500**	4,871	0	**4,871**
Business Rates	7	0	13,797	**13,797**	0	11,766	**11,766**
Collection Fund Charges							
Council Tax bad debts	8	1,061	0	**1,061**	2,586	0	**2,586**
Business Rates bad debts	9	0	930	**930**	0	2,197	**2,197**
Business Rates appeals	10	0	1,297	**1,297**	0	301	**301**
Business Rates cost of collection		0	291	**291**	0	292	**292**
Business Rates Supplement cost of collection	6	0	6	**6**	0	6	**6**
Business Rates transitional payments		0	(2,693)	**(2,693)**	0	(1,370)	**(1,370)**
Total Expenditure		**120,177**	**95,911**	**216,088**	**130,873**	**103,063**	**233,936**
(Surplus) / Deficit for Year		**(1,470)**	**2,630**	**1,160**	**730**	**2,757**	**3,487**

Fund Statement (£000)	Note	Council Tax £	Business Rates £	Total 31/03/18 £	Council Tax £	Business Rates £	Total 31/03/19 £
Fund Balance B/F		**(11,295)**	**(15,739)**	**(27,034)**	**(12,766)**	**(13,109)**	**(25,875)**
(Surplus) / Deficit for Year		(1,470)	2,630	1,160	730	2,757	3,487
Fund Balance C/F	11	**(12,765)**	**(13,109)**	**(25,874)**	**(12,036)**	**(10,352)**	**(22,388)**

Note 1 - The Council Tax System

The council tax is the means of raising income from local residents to pay for services within the Royal Borough. The council tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals. Council tax collected in the Borough is split between relevant preceptors, the Borough (78%) and the GLA (22%).

Note 2 - The Business Rates System

The business rate is the means of raising income from local businesses to pay for services within the Royal Borough. The business rate is levied on non-domestic properties and the charge is based on the valuation band assessed for each premises. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals. From 2018/19 the Royal Borough agreed to participate in the London Business Rates Pool with all the other London Boroughs. Business rates collected across the Borough are therefore split between the relevant parties within the pool, who are the London Boroughs, the GLA and Central Government.

Note 3 - Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice on Local Authority Accounting. The transactions of the Collection Fund are wholly prescribed by legislation. The year-end surplus or deficit on the Collection Fund is apportioned between the relevant interested parties.

Note 4 - Council Tax Income

In 2019/20 the Royal Borough set a band D tax of £1,489.55 (£1,429.33 in 2018/19). These charges are before any appropriate discounts. The charge for each band is a ratio of band D. The 2019/20 charges were:

Band	Ratio to Band D	Council Tax 2018/19 £	2019/20 £
A	6/9	952.88	993.03
B	7/9	1,111.71	1,158.54
C	8/9	1,270.52	1,324.05
D	1	1,429.33	1,489.55
E	11/9	1,746.95	1,820.56
F	13/9	2,064.59	2,151.57
G	15/9	2,382.21	2,482.58
H	18/9	2,858.66	2,979.10

The Royal Borough's taxbase, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2019/20 was 82,848 (80,181 in 2018/19) as calculated below.

2018/19 Band D Equivalent	2019/20 Band	Dwellings Per Valuation List	Adjustment For Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
2	A (Disabled)	0	6	6	5/9	3
4,174	A	11,187	(3,916)	7,271	6/9	4,847
11,212	B	21,784	(7,642)	14,142	7/9	10,999
29,575	C	42,724	(8,966)	33,758	8/9	30,007
19,307	D	23,662	(3,320)	20,342	1	20,342
12,258	E	11,504	(954)	10,550	11/9	12,895
4,515	F	3,472	(173)	3,299	13/9	4,765
3,381	G	2,169	(130)	2,039	15/9	3,398
605	H	343	(42)	301	18/9	602
85,029	**Total**	**116,845**	**(25,137)**	**91,708**		**87,858**
(5,101)	less Allowance for Non Collection					(5,271)
253	plus Adjustment for Armed Forces Dwellings					261
80,181	**Royal Borough Tax Base**					**82,848**

Based on the estimated tax base of 82,848 an income yield for 2019/20 of £123.4m (£114.6m in 2018/19) was anticipated. The actual taxbase was equivalent to 87,371 (85,107 in 2018/19) including backdated transactions and the equivalent yield was £130.1m (£121.6m in 2018/19).

Note 5 - Business Rate Income

Business Rate Income	2018/19 £000	2019/20 £000
Debits Raised	114,572	124,704
Relief and Exemption granted	(21,291)	(24,398)
Total Collectable	**93,281**	**100,306**

The Business Rate Multiplier is set nationally and for 2019/20 was 50.4p (49.3p in 2018/19). The total rateable value for non-domestic rated property in the Royal Borough for 2019/20 was £246.1m (£236.7m in 2018/19).

Note 6 - Business Rates Supplement

In April 2010, a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London was introduced. From April 2017, the threshold applicable to the levy was increased to properties with a rateable value of over £70,000. This is paid to the GLA and helps to finance Crossrail.

Note 7 - Collection Fund apportionment of surplus

A council tax surplus of £4.871m was distributed in 2019/20 to the Royal Borough (£3.868m) and the GLA (£1.003m). There was a business rate surplus of £11.765m distributed in 2019/20 (Central Government £0.640m / RBG £6.870m / GLA £4.255m).

Note 8 - Provision for Irrecoverable Council Tax Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2019/20, £2.586m (£1.061m in 2018/19) was contributed to the council tax bad debt provision and £0.179m of irrecoverable debts were written off in year (£0.315m in 2018/19).

Note 9 - Provision for Irrecoverable Business Rates Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2019/20 £2.197m (£0.930m in 2018/19) was contributed to the business rates bad debt provision and £0.394m (£0.260m in 2018/19) of irrecoverable debts were written off.

Note 10 - Provision for Business Rates Appeals

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for business rate appeals. The provision was calculated on the basis of outstanding appeals at 31 March 2020 as supplied by the Valuation Office. The percentage of appeals that are likely to be successful and the percentage reduction in rateable value on successful appeals were estimated based on historical trends. During 2019/20 a net contribution of £0.301m (£1.297m in 2018/19) was made to the provision.

Note 11 - Collection Fund Position

Council Tax Surplus

The balance on the Fund for council tax at 31 March 2020 is £12.036m. Of this sum, £2.587m is the GLA's share of the Collection Fund and is shown as a creditor in the Authority's Balance Sheet. The balance of £9.448m is the Royal Borough's share of the Collection Fund. A distribution from the balance on the Fund will be made in 2020/21, of which the GLA will receive £1.699m. The remaining council tax balance will be taken into account in future budget setting processes.

Business Rates Surplus

The balance on the Fund for Business Rates at 31 March 2020 is £10.352m. Of this sum £2.916m is the GLA's share and £2.252m is the Government share. Both of these items are shown as a creditor in the Authority's Balance Sheet. The remaining £5.184m is the balance in the Collection Fund. A distribution of the balance on the Fund will be made in 2020/21. Central Government will receive £2.299m and the GLA will receive £2.967m. The remaining Business Rate balance will be taken into account in future budget setting processes.

Housing Revenue Account

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 amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2018/19 £000	HRA Income and Expenditure Statement	2019/20 £000
	Expenditure	
23,625	Repairs and Maintenance	24,151
51,990	Supervision and Management	52,545
1,821	Rent, Rates, Taxes and Other Charges	1,860
27,581	Depreciation, Impairments and Revaluation Losses in relation to Non-current Assets	52,810
124	Debt Management Costs	138
658	Movement in the allowance for bad debts (not specified by code)	825
105,799	**Total Expenditure**	**132,329**
	Income	
(96,205)	Dwelling Rents	(94,671)
(2,629)	Non Dwelling Rents	(2,705)
(16,994)	Charges for services and facilities	(18,863)
(1,145)	Contribution towards expenditure	(1,596)
(116,973)	**Total Income**	(117,835)
(11,174)	**Net Income of HRA Services**	**14,494**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive I&E Statement	
(15,580)	(Gain) or Loss on sale of HRA non-current Assets	(10,762)
15,138	Interest Payable and Similar Charges	15,700
(50)	Capital Grants and contributions receivable	(4,150)
5,498	Net interest on the net defined benefit liability / (asset)	776
(6,168)	**(Surplus) / Deficit for the Year on HRA Services**	**16,058**

2018/19 £000	Movement on the HRA Statement	2019/20 £000
(18,559)	**Balance on the HRA as at the end of the previous reporting period**	**(22,197)**
(6,168)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	16,058
2,530	Adjustment between accounting basis and funding basis under statute	(6,723)
(3,638)	**(Increase) or decrease in year on the HRA**	**9,335**
(22,197)	**Balance on the HRA at the end of the current reporting period**	**(12,862)**

Note 1 - Depreciation and Impairment

HRA Depreciation and Impairment	2018/19 £000	2019/20 £000
Dwellings	23,769	24,058
Other Land & Buildings	581	666
Vehicles	0	40
Surplus	121	5
Total Depreciation	**24,471**	**24,769**
Impairment and Revaluation Losses	**16,035**	**47,908**

HRA valuations were reviewed at 1 April 2019, a further reassurance exercise is undertaken to ensure that valuations are correct as at the 31 March 2020 carrying date. The valuations are based on Stock Valuation for Resource Accounting, a guide issued by CLG. This guide incorporates a factor to recognise the specific nature of valuing social housing. This factor, which reduces the assessed value, has remained at 25%.

Note 2 - Housing Stock

The Council was responsible for managing 21,327 dwellings as at 31 March 2020. The property is analysed below:

Analysis of HRA Dwellings at 31 March 2020	1 Bed	2 Beds	3 & more	Total
Low rise flats in blocks up to 2 storeys	1,434	1,010	365	2,809
Medium rise flats in blocks of 3-5 storeys	3,733	3,190	1,529	8,452
High rise flats in blocks of 6 or more storeys	1,519	1,707	236	3,462
Houses and bungalows	247	1,183	5,167	6,597
Multi occupied dwellings				7
Total				**21,327**

The HRA valuations were reviewed as at 1 April 2019, a further reassurance exercise is undertaken to ensure that valuations are correct as at 31 March 2020 carrying date. These figures represent the valuation less disposals and depreciation.

31 March 2019 £000	Balance Sheet Valuation of HRA Assets	31 March 2020 £000
1,480,511	Dwellings	1,473,626
44,760	Property Plant and Equipment Assets – Other	47,515
35,365	Assets held for Sale	36,022
1,560,636	**Total**	**1,557,163**

The Vacant Possession Value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value.

1 April 2018 £000	Vacant Possession Value	1 April 2019 £000
5,846,626	HRA Dwellings	5,891,969

The Royal Borough has provided grant funding to two Registered Providers and one Community Benefit Society which has resulted in the provision of 76 affordable rented homes, under the Right to Buy Retention Agreement funded from Right to Buy 1-4-1 receipts.

2018/19 £000	HRA Revenue Expenditure Funded From Capital Under Statute	2019/20 £000
2,959	Houses	3,652
2,959	**Total**	**3,652**
	Financed by:	
2,959	Capital Receipts	3,652
2,959	**Total**	**3,652**

Note 3 - Major Repairs Reserve

2018/19 £000	Major Repairs Reserve	2019/20 £000
(10,623)	**Balance as at 1 April**	**(9,503)**
25,596	Financing of Capital Expenditure for year	36,646
(24,476)	Depreciation for the year	(36,646)
(9,503)	**Balance as at 31 March**	**(9,503)**

Note 4 - HRA Capital Financing

2018/19 £000	HRA Capital Expenditure	2019/20 £000
32,554	Houses	53,812
0	Other Property	0
32,554	**Total**	**53,812**
	Financed by:	
6,958	Capital Receipts	16,299
25,596	Major Repairs Reserve	36,646
0	Other Grants	400
0	Revenue	467
32,554	**Total**	**53,812**

Summary of HRA Capital Receipts

2018/19 £000	Capital Receipts	2019/20 £000
45	Land	0
934	Other Property	462
29,492	Houses	21,372
30,471	**Total**	**21,834**

Note 5 - Rent and Service Charge Arrears

HRA rent and service charge arrears at 31 March 2020 totalled £11.105m. These arrears are charges due from tenants i.e. rent, service charges, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31st March 2020 the provision totalled £8.177m.

2018/19 £000	Arrears	2019/20 £000
5,999	Due from Current Tenants	6,720
4,213	Due from Former Tenants	4,385
10,212	**Total**	**11,105**

Note 6 - Pension Costs - IAS 19

IAS19 has been incorporated in the HRA. Entries have been calculated on the basis of the HRA's apportioned share of pension costs during the financial year.

Note 7 – Tenants Service Charges

From February 2017 the Authority agreed to introduce service charges for tenant's services and facilities that were previously pooled in the HRA.

Independent Auditor's Report to the Members of Royal Borough of Greenwich on the Pension Fund Financial Statements of Royal Borough of Greenwich Pension Fund

Opinion

We have audited the financial statements of Royal Borough of Greenwich Pension Fund (the 'pension fund') administered by the Royal Borough of Greenwich (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

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

- the Section 151 Officer use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Section 151 Officer conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property and infrastructure investments
We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's private equity, property and diversified alternative investments as at 31 March 2020. As, disclosed in note 5 to the financial statements, the ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund private equity, property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy. Our opinion is not modified in respect of this matter.

Other information
The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's and group's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)
In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, [the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Executive Director – Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority 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 authority, that officer is the Section 151 Officer. Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Section 151 Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Risk Management Panel is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.
Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

26 November 2020

Royal Borough of Greenwich Pension Fund

2018/19 £000	Fund Account	Notes	2019/20 £000
	Dealings with Members, Employers and Others directly involved in the Scheme		
	Contributions Receivable:		
(36,026)	Employer Contributions	6	(37,730)
(13,507)	Member Contributions	6	(13,995)
(2,318)	Transfers in from Other Pension Funds	7	(3,470)
	Benefits:		
44,068	Pensions	8	46,013
10,722	Lump Sum & Death Benefits	8	11,485
4,194	Payments to and on account of Leavers	9	3,726
7,133	**Subtotal: Net (additions) / withdrawals from Dealings with Members**		**6,029**
6,085	Management Expenses	10a	7,776
	Returns on Investment		
(5,716)	Investment Income	11	(7,708)
(64,641)	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		87,961
(70,357)	**Net Returns on Investment**		**80,253**
(57,139)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**94,058**

31 March 2019 £000	Net Asset Statement	Notes	31 March 2020 £000
0	Investment assets Equities		3
	Pooled Investment Vehicles:		
234,327	Fixed Interest	14	235,092
137,865	Property Unit Trusts	14	136,556
493,174	Unitised Insurance Policies	14	460,567
329,364	Other Unit Trusts	14	270,636
2,200	Property – Freehold	3&14	2,490
8,598	Private Equity	14&22	4,900
114,564	Diversified Alternative	14	108,422
118	Cash Deposits	19	144
7,189	Cash Equivalents	19	7,628
162	Other Investment Balances	18	46
	Investment Liabilities		
(1,140)	Other Investment Balances	18	(1,209)
1,326,421	**Net Investment Assets / (Liabilities)**		**1,225,275**
	Current Assets		
413	Contributions Due	18	575
119	Other Current Assets	18	450
6,236	Cash Balances	19	13,350
	Current Liabilities		
(174)	Unpaid Benefits	18	(210)
(546)	Other Current Liabilities	18	(1,029)
6,048	**Net Current Assets / (Liabilities)**		**13,136**
1,332,469	**Net Assets of the Scheme available to fund Benefits at the Period End**		**1,238,411**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2020. The actuarial present value of promised retirement benefits is disclosed in note 17.

Note 1 – Description of The Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

General

The Royal Borough of Greenwich Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a defined benefit pension scheme providing pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed and administered in accordance with the Public Service Pensions Act 2013 and the following Local Government Pension Scheme Regulations:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds and Amendment) Regulations 2016

Membership

All employees are able to join the pension scheme (except teachers). Those with a contract of employment of at least 3 months are contractually enrolled into the pension scheme on commencement of employment. Membership of the Fund 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 Fund include:

- Administering Authority: This is the Royal Borough of Greenwich (the "Authority")
- Scheduled Bodies: which are Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. The scheduled bodies of the Fund.
- Admitted Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 54 active employer organisations within the Fund as at 31 March 2020 (53 as at 31 March 2019). The following table summarises the composition of the registered membership of the Fund as at 31 March 2020.

Membership	Administering Authority		Admitted Bodies		Scheduled Bodies	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Employees contributing into Fund	6,775	6,545	353	341	1,959	1,979
Pensioners / Dependents	6,561	6,775	206	234	257	332
Former Members entitled to Deferred Benefits	7,895	8,027	293	296	985	1,249
Totals	21,231	21,347	852	871	3,201	3,560

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year end 31 March 2020. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations.

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 updated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Governance

The Royal Borough of Greenwich has delegated management of the Fund to the Pension Investment and Administration Panel. The Panel is made up of four committee members, each with voting rights. The Panel is responsible for agreeing an appropriate investment strategy, review and scrutiny of investment manager performance, quarterly account review and policy statement review. The Panel receives guidance, where appropriate, from the Fund's investment advisors, actuary and Fund managers. The Panel receives regular training in line with CIPFA's Knowledge and Skills Framework.

It is a requirement under the Public Service Pensions Act 2013 for LGPS funds to set up a Local Pension Board. The Royal Greenwich Pension Board is made up of two member representatives and two employer representatives who act in an overview and scrutiny role to ensure strong governance of the Fund. The Board also receives regular training under the CIPFA Knowledge and Skills Framework. The role and responsibilities of Board Members is set out in the 'Pension Board of the Royal Borough of Greenwich Terms of Reference', which is available on the Royal Borough of Greenwich website.

Investment Principles

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to prepare an Investment Strategy Statement (ISS). The latest ISS was agreed by the Pension Fund Investment and Administration Panel on 17 September 2019 and is available on the Royal Borough of Greenwich website.

The Panel has delegated the day-to-day management of investments to external Investment Managers in line with their relevant mandates. The performance of the Investment Managers is reported on a quarterly basis by the Fund's Investment Advisors.

Note 2 – Basis of Preparation

The Statement of Accounts (the "Accounts") summarise the Fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the "Code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year. 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 pension fund has opted to disclose this information in Note 17 of these accounts. The most recent actuarial valuation was carried out 31 March 2019 and determines the contribution rates for the next three years from 1 April 2020 with an aim to maintain the solvency of the fund. Therefore, these accounts have been produced on a going concern basis.

Many values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Note 3 – Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contributions

Both employer and member normal contributions are accounted for on an accruals basis. Member contributions rates are set in accordance with LGPS regulations using common percentage rate bandings, which rise in line with pensionable pay. Employer contributions are set at a percentage rate advised by the Fund's actuary as necessary to maintain the Funds solvency.

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.

Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for on a cash basis at which point the related member liability transfers to the fund. Bulk transfers to/from the scheme are accounted for in accordance with the terms of the transfer agreement.

Investment Income

a) 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 reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
b) Some pooled investment vehicles within the portfolio are accumulation funds and as such, the change in market value also includes income, which is re-invested in the Fund. The market price for those units reflects this re-invested income. Non-accumulating units give rise to dividends.
c) Other than unitised holdings (above), freehold property gives rise to rental income. These amounts are recognised on a straight-line basis over the life of the operating lease.
d) Private Equity distributions are split between their constituent elements i.e. dividend, interest, gain/loss or return of capital, as advised by the Fund manager.
e) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

Fund Account – Expense Items

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 asset statement as current liabilities.

Taxation

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Any recoverable amounts outstanding at the reporting period end will be classified as a debtor.

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.

Lifetime Allowance

The Fund may be asked by members to pay tax liabilities in relation to annual allowance and lifetime allowance direct to HMRC in exchange for a reduction in pension. These payments are treated as an in-year expense.

Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).' These expenses are charged to the Fund on an accruals basis under the headings below:

Administrative Expenses – Staff costs pertaining to the pensions administration team are charged direct to the Fund. Associated management, IT, rents and rates and other overheads are apportioned to financial administration and charged as expenses to the Fund on an annual basis.

Oversight and Governance – These costs include the selection, appointment, performance management and monitoring of external fund managers, investment advisory service costs, operation and support of the Pensions Panel and Board and other governance related costs.

Investment Management Expenses – Expenses incurred in relation to the management of pension fund assets and includes transaction costs, management fees, performance fees and custody fees. Investment management fees are calculated by reference to the market value of portfolio assets under management at the end of each quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

Net Asset Statement

Investment Valuations and their effects

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

a) Listed securities are shown by reference to bid-market price at the close of business on 31 March 2020.
b) Unit trusts are priced as follows:
i. Unit trust and managed fund investments are stated at bid price quoted by their respective managers prior to the close of business on 31 March 2020.
ii. Single priced funds, closed ended property funds, and fixed interest Open Ended Investment Companies (OEICs) which are valued on a Net Asset Value basis.
c) Unitised insurance policies are valued at bid-price.
d) Property unit trusts and other similar property funds valuations are based upon the underlying investments within each portfolio, the majority of which are based upon the latest available valuations (ranging from as at 31 December 2019 to 31 March 2020).
e) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31 December 2019, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2020 using the same accounting policies. It is less easy to trade private equity than it is for quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.
f) The Diversified Alternative Portfolio is made up of Private Equity, Private Debt, Private Real Estate and Private Infrastructure valued as follows:

- Private Equity - a market approach is applied (mainly EV/EBITDA multiples) where appropriate, in some cases an alternative method can be applied (e.g. DCF approach). Securities traded on an active market are valued based on their respective market price at the end of the reporting period, adjusted for potential restrictions on the transfer or sale of such securities.
- Private Debt - Debt instruments for which market quotations are readily available are typically valued based on such quotations, Quotes are validated considering different factors such as depth and nature of the quotation or implied discount rate versus comparable loans (or bonds), Debt instruments for which no market quotations are available are typically valued applying an instrument discounted cash flow approach or a recovery method.
- Private Real Estate - Real estate valuations are valued considering third party appraisals, which are updated (at least) on an annual basis. Intra-year valuations from these third party appraisals are adjusted for recent developments (e.g. exit of an underlying property, operational cash generation, etc.)
- Private Infrastructure - Early stage infrastructure investments are usually valued using the replacement cost method. Once construction reaches a certain stage, and as cash flows become more visible, the valuation method is normally switched to a discounted cash flow analysis. For stable and operating infrastructure assets, a market approach (i.e. multiple method) is used.

g) Multi-Asset Credit - valuations of financial instruments whose principal markets are actively traded exchange markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the program is the price within the bid-ask spread, which is considered most representative of fair value at the end of the reporting period. For Non-traded financial instruments, the program uses a variety of market and income methods.

Property

The Fund owns the freehold of one investment property – New Lydenburg Industrial Estate. The property was revalued as at 31 March 2020 at a value of £2.49m by a valuer, RICS member and member of the Fund employed by the Royal Borough of Greenwich. The property was valued utilising the Royal Institute of Chartered Surveyors' Valuation- Global standards 2017 and relevant UK supplement. The valuation was based on the open market value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a change in market value of investments. The Fund receives £0.115m rental income per year in respect of this property.

Foreign Currency

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2020.

Cash and Cash Equivalents

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

Financial Assets

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

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14). 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).

Financial Liabilities

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

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 International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net asset statement (note 17).

Additional Voluntary Contributions

There are currently two additional voluntary contribution (AVC) schemes for the members of the Royal Borough of Greenwich Pension Fund. These schemes are separate to the fund with assets, which are invested separately. 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. Note 20 provides details of the Funds AVC schemes.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund 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 Authority. 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 Net Asset Statement but are disclosed in a note to the Accounts. The limit for contingent liabilities is reflective of the Funds perception of materiality and is currently set at £250,000.

Other Accounting Policies

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund'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.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Accounts. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the 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.

Note 4 - Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. The following items have a significant risk of material adjustment in the forthcoming financial year:

Private Equity

- The management of LGT uses its judgement to select a variety of methods and makes assumptions that are not always supported by observable market prices or rates. The majority of the Company's investments use either U.S. GAAP or utilise a combination of IFRS and International Private Equity and Venture Capital valuation guidelines to value their underlying investments. The predominant methodology adopted by the general partners for the buyout investments in LGT is a market approach, which takes market multiples using a specified financial measure (e.g. EBITDA), recent public market and private transactions and other available measures for valuing comparable companies.
- Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Wilshire generally use the capital balance reported by the investee fund manager of the limited partnership investment as the primary input to its valuation; however adjustments to the reported capital balance (net asset value) may be made based on various factors, including, but not limited to, the attribute of the interest held, including the rights and obligations and any restrictions or illiquidity on such interests and the fair value of such investment partnership's investment portfolio or other assets and liabilities. The manager generally holds interests in such funds for which there is no active market, although, in some situations a transaction may occur in the 'secondary market' where an investor purchases a limited partner's existing interest and remaining commitment. To the extent these transactions become known to Wilshire, they may be considered as a data point in Wilshire's determination of an investment's fair value.

Pension Fund Liability

It is a statutory requirement that the funding level is calculated every three years by the appointed actuary in order to determine employer contribution rates for the forthcoming three years. However, the methodology used within the accounts is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 16. These estimates are subject to significant variances based upon changes to the underlying assumptions.

There are a number of uncertainties regarding the scheme benefits and hence liabilities. Information is provided below on the 2 most prominent; the guaranteed minimum pension (GMP) equalisation and the impact of the McCloud & Sargeant judgements.

GMP Equalisation

On 22nd January 2018, the outcome to the 'Indexation and equalisation of GMP in public service pension scheme' consultation was published by the Government. This confirmed that public service pension schemes would need to extend the requirement to fully price protect the GMP element of the individuals public service pension to those individuals reaching State Pension Age before 06 April 2021.

Our actuaries' valuation assumption for GMP is that the Fund will pay limited increases for members that have reached state pension age by 06 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, they have assumed that the Fund will be required to pay the entire inflationary increase.

McCloud & Sargeant Judgements

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members in both the Judges Pension Scheme (McCloud) and the Firefighters Pension Scheme (Sargeant) amounted to unlawful discrimination. As a result, the Government announced that the judgements would apply to all public-sector pension schemes, including the LGPS. The Government Actuaries Department (GAD) was then asked to carry out an analysis on the possible impact of the judgement on LGPS labilities.

To allow for these judgements, our actuary used the analysis provided by GAD and has assumed a salary increase of 1.5% above CPI in addition to a promotional scale. They also allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary and pension increase estimates and life expectancy. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions used.	For example: A 0.1% increase in the discount rate would result in a decrease in the pension liability of £38.1m. A 0.1% decrease in assumed earnings would decrease the pension liability by £3m and a 1-year increase in assumed life expectancy would increase the Fund liability by £92.3m.
Property, Private Equity & diversified alternative (excluding pooled property)	The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, level 3 asset valuation risk may have increased level of uncertainty and the estimated valuations may be misstated. There is an extremely wide range of possible outcomes, resulting in a particularly high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed to return to a "steady state" See note 14 for further detail	The total level 3 investments within the financial statements (excluding pooled property) is £115,811m Having analysed historical data and current COVID -19 impact and consulted with the Funds' performance management advisors, there is a risk that the actual values are lower than was estimated at year-end. This could result in a fall of valuations, estimated between 2.6-5.2%, which could see about a fall of £5.972. The effect of variations in the factors supporting the valuation is highlighted in note 14.

Pooled Property (CBRE)	There are uncertainties in the financial markets caused by the current Coronavirus pandemic. Market activity is being impacted in all sectors and, as at the valuation date, it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. Due to these uncertainties, there is a risk that the estimated values may be under or overstated. The current response to COVID-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.	The total Pooled Property Funds are £136.6m. Having engaged with the fund managers the predicted outcome of COVID-19 on these estimated valuations, there is a risk that the actual values are lower than was estimated at year-end , this could result in a fall of valuations, estimated between 0-2.6% of the reported value, which is between £0-£3.55m of the above.

Estimation Uncertainty – COVID-19

As per standard private markets practise, the Level 3 assets 31st March valuations are based on the 31st December's valuations rolled forward with cashflows from the intervening period, therefore do not take fully into account the impact of the measures taken to control the COVID-19 pandemic and the associated potential impacts on the investment valuations. The Pooled property funds leave valuers with an unprecedented set of circumstances on which to base a judgement. Due to these factors it is considered that there is a material uncertainty attached to the valuations for these assets (see above for further details). Further detail on the estimation uncertainties for Property, Private Equity & diversified alternative can be found in the table above.

This may have an impact on these valuations post year-end, however, due to the time lag in information, this was not available when the accounts were prepared. The Fund has liaised with the managers for these assets and based on a best estimate basis (which itself is difficult to prove the accuracy of) the valuations for the aforementioned assets could be overvalued in the region of £0m-£9.53m, which at most would affect the Fund's year end valuation by 0.77%

Note 6 - Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2019/20 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2018/19 £000	By Category	2019/20 £000
(13,507)	Employee's Contributions	(13,995)
(13,507)	**Total Employees' Contributions**	**(13,995)**
	Employer's Contributions:	
(29,022)	Normal Contributions	(30,416)
(6,859)	Deficit Recovery Contributions	(7,160)
(145)	Augmentation Contributions	(154)
(36,026)	**Total Employers' Contributions**	**(37,730)**
(49,533)		**(51,725)**

2018/19 £000	By Authority	2019/20 £000
(39,426)	Administering Authority	(41,388)
(7,154)	Scheduled Bodies	(7,483)
(2,953)	Admitted Bodies	(2,854)
(49,533)		**(51,725)**

Note 7 - Transfers in from Other Pension Funds

2018/19 £000	Transfers in from other Pension Funds	2019/20 £000
(2,318)	Individual Transfers	**(3,470)**

Note 8 - Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2018/19 £000	Benefits	2019/20 £000
	Pensions	
42,451	Administering Authority	43,874
858	Admitted Bodies	1,115
759	Scheduled Bodies	1,024
44,068	**Total Pensions Payable**	**46,013**
	Lump Sums	
7,895	Administering Authority	8,382
409	Admitted Bodies	523
577	Scheduled Bodies	957

8,881	**Total Lump Sums and Commutation**	**9,862**
	Death Benefits:	
1,639	Administering Authority	1,423
32	Admitted Bodies	56
170	Scheduled Bodies	144
1,841	**Total Death Benefits**	**1,623**
54,790	**Total Benefits Payable**	**57,498**

Note 9 - Payments to and on Account of Leavers

2018/19 £000	Payments to and on Account Of Leavers	2019/20 £000
172	Refunds to Members leaving Service	214
4	Payments for Members joining State Scheme	7
4,018	Individual Transfers	3,505
4,194	**Total Payments to and on Account of Leavers**	**3,726**

Note 10a – Management Expenses

2018/19 £000	Management Expenses	2019/20 £000
915	Administration Expenses	1,133
129	Oversight and Governance	216
5,041	Investment management Expenses	6,427
6,085	**Total Administration Expenses**	**7,776**

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

Note 10b Investment Management Expenses

2018/19 £000	Management Expenses	2019/20 £000
4,584	Management Expenses	4,785
434	Performance Fees	1,597
16	Custody Fees	45
7	Transaction Costs	0
5,041	**Total Management Expenses**	**6,427**

Note 11 - Investment Income

2018/19 £000	Investment Income	2019/20 £000
(115)	Rental Income from Property	(115)
(18)	Dividends from Equities	(127)
	Dividend from Unit Trusts	
(42)	Income from Pooled Investment Vehicles:	(18)
(5,359)	Property Unit Trusts	(7,388)
(39)	Withholding Tax Reclaimed	(4)
(33)	Interest	(56)
(110)	Other Income	0
(5,716)	**Total Investment Income**	**(7,708)**

Note 12 - External Audit Costs

2018/19 £000		2019/20 £000
16	Payable in respect of external audit	25
0	PSAA Refund	(2)
16	**Total External Audit Costs**	**23**

£25k was paid to the external auditors of the Pension Fund, Grant Thornton UK LLP (£16k in 2018/19).

Note 13 - Investments

The investment managers and their mandates are as follows:

Manager	Mandate
Blackrock	Passive Global Equity
CBRE Global Investors	Property
Fidelity International	Bond/GMAC/GEME
LGT Capital Partners	Private Equity
Wilshire	Private Equity
Partners Group	Diversified Alternative
Invesco	Multi Asset Strategy

The market value and proportion of investments managed by each fund manager at 31 March 2020 was as follows:

	2018/19 Market Value £000	2018/19 Market Value %	2019/20 Market Value £000	2019/20 Market Value %
Blackrock	583,013	43	501,003	40
CBRE Global Investors	144,717	11	143,601	12
Fidelity	127,640	10	135,566	11
Fidelity GMAC	106,542	8	99,403	8
LGT Capital Partners	2,351	0	36	0

Royal Borough of Greenwich	8,784	1	16,203	1
Wilshire	6,247	0	4,863	0
London CIV	150	0	150	0
Partners Group	114,027	9	107,893	9
Fidelity GEME	117,446	9	105,746	9
Invesco	121,552	9	123,947	10
Total	**1,332,469**	**100**	**1,238,411**	**100**

The change in market value of the Fund during the year is represented as follows:

Manager	Market Value 31 March 2019	Purchases	Sales	Change in Market Value Of Investments	Change in Working Capital	Market Value 31-Mar 2020
	£000	£000	£000	£000	£000	£000
Blackrock	583,013	43	(11,125)	(70,928)	0	501,003
CBRE Global Investors	144,717	22,336	(15,204)	(8,440)	192	143,601
Fidelity AGG	127,640	(185)[a]	0	8,083	28	135,566
LGT[b]	2,351	(11)[a]	(1,910)	(394)	0	36
Royal Borough of Greenwich	8,784	0	49	247	7,123	16,203
Wilshire[b]	6,247	0	(2,679)	1,295	0	4,863
Fidelity GMAC	106,542	(302)[a]	0	(6,831)	(6)	99,403
London CIV	150	0	0	0	0	150
Partners Group	114,027	0	(3,745)	(2,397)	8	107,893
Fidelity GEME	117,446	(730)[a]	0	(10,983)	13	105,746
Invesco	121,552	0	0	2,387	8	123,947
Total	**1,332,469**	**21,151**	**(34,614)**	**(87,961)**	**7,366**	**1,238,411**

The prior year comparator is as follows:

Manager	Market Value 31 March 2018	Purchases	Sales	Change in Market Value Of Investments	Change in Working Capital	Market Value 31-Mar 2019
	£000	£000	£000	£000	£000	£000
Blackrock	537,962	41	(1,000)	46,011	(1)	583,013
CBRE Global Investors	135,235	7,466	(1,827)	4,161	(318)	144,717
Fidelity AGG	122,697	(136)[a]	0	5,109	(30)	127,640
LGT[b]	2,343	(66)[a]	(394)	468	0	2,351
Royal Borough of Greenwich	14,747	0	(5)	4	(5,962)	8,784
Wilshire[b]	6,728	0	(1,740)	1,259	0	6,247
Fidelity GMAC	105,271	(295)[a]	0	1,566	0	106,542
London CIV	150	0	0	0	0	150
Partners Group	105,575	0	(2,550)	11,007	(5)	114,027
Fidelity GEME	121,450	(675)[a]	0	(3,334)	5	117,446
Invesco	123,172	0	0	(1,611)	(9)	121,552
Total	**1,275,330**	**6,335**	**(7,516)**	**64,641**	**(6,320)**	**1,332,469**

a. The negative Fidelity and LGT purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.
b. Distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

2018/19 £000	Change Market Value	2019/20 £000
1,275,330	Opening Market Value	1,332,469
(7,502)	Net Revenue Cash in / (out) flow	(6,097)
2,888	Realised profit / (loss)	5,939
61,753	Unrealised profit / (loss)	(93,900)
1,332,469	**Closing Market Value**	**1,238,411**

The value of quoted and unquoted securities is broken down as follows:

2018/19 £000	Change Market Value	2019/20 £000
0	Quoted	3
	Unquoted	
8,598	Private Equity	4,899
1,311,495	Other	1,213,764
12,376	Working Capital	19,745
1,332,469	**Total**	**1,238,411**

Included in the total amount classified as “unquoted – other” is £842m, relating to investment vehicles where the underlying investments are themselves quoted (£935m in 2018/19).

The following table analyses the investment assets between UK and overseas:

2018/19 £000		2019/20 £000
761,855	UK	692,737
558,238	Non UK	525,929
12,376	Working capital	19,745
1,332,469	**Total**	**1,238,411**

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2019/20 £000	2019/20 %
Aquila Life MGM World EX UK Equity	Blackrock	214,127	17%
Blackrock ISHARES UK Equity	Blackrock	164,406	13%
Fidelity UK Aggregate	Fidelity	135,613	11%
Invesco Perpetual Mutual Fund	Invesco	124,139	10%
Aquila Life	Blackrock	122,302	10%
Partners IC RBG LTD	Partners	108,422	9%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	105,902	9%
Fidelity Qualifying Investor	Fidelity	99,479	8%

The prior year comparator is as follows:

Investment Assets	Manager	2018/19 £000	2018/19 %
Aquila Life MGM World EX UK Equity	Blackrock	226,090	17%
Blackrock ISHARES UK Equity	Blackrock	205,339	15%
Aquila Life	Blackrock	145,334	11%
Fidelity UK Aggregate	Fidelity	127,715	10%
Invesco Perpetual Mutual Fund	Invesco	121,751	9%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	117,615	9%
Fidelity Qualifying Investor	Fidelity	106,612	9%
Partners IC RBG LTD	Partners	114,564	8%

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2019/20 or 2018/19. The following investment products are classed as derivatives and may be used by the Fund managers (none held on 31 March 2020):

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non-UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

Property Holdings

The Fund has a directly owned property, which is leased commercially to various tenants. Details of this are as follows:

2018/19 £000		2019/20 £000
2,200	Opening balance	2,200
0	Net increase in market value	290
2,200	**Closing balance**	**2,490**

2018/19 £000		2019/20 £000
115	Within one year	115
460	Between one and five years	460
575	**Total future lease payments due under existing contracts**	**575**

Note 14 - Financial Instruments

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

31 March 2019				31 March 2020		
Fair Value through Profit and Loss £000	Assets at Amortised Cost £000	Financial Liabilities at Amortised Cost £000		Fair Value through Profit and Loss £000	Assets at Amortised Cost £000	Financial Liabilities at Amortised Cost £000
			Financial Assets			
0			Equities	3		
			Pooled Investment Vehicles:			
234,327			Fixed Interest OEIC	235,092		
137,865			Property Unit Trusts	136,556		
493,174			Unitised Insurance Policies	460,567		
329,364			Other Unit Trusts	270,636		
8,598			Private Equity	4,900		
114,564			Diversified Alternative	108,422		
	118		Cash Deposits		144	
	7,189		Cash Equivalents		7,628	
	162		Other investment balances		46	
	413		Contributions Due		575	
	119		Other Current Assets		204	
	6,236		Cash Balances		13,350	
1,317,892	**14,237**	**0**	**Total Financial Assets**	**1,216,176**	**21,947**	**0**
			Financial Liabilities			
		(1,140)	Other Investment Balances			(1,209)
		(174)	Unpaid Benefits			(210)
		(75)	Other Current Liabilities			(559)
		(1,389)	**Total Financial Liabilities**			**(1,978)**
1,317,892	**14,237**	**(1,389)**	**Net Financial Assets**	**1,216,176**	**21,947**	**(1,978)**

The net gains and losses on financial instruments are as follows:

2018/19 £000	Gains and Losses	2019/20 £000
	Financial Assets	
64,642	Fair Value Through Profit and Loss	(87,671)
33	Loans and Receivables	56
	Financial Liabilities	
0	Fair Value Through Profit and Loss	0
64,675	**Total**	**(87,615)**

Valuation of Financial Instruments carried at Fair Value

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

Level 1 – Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and unit trusts.

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

Level 3 – Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Included in this level are the Fund's private equity investments, the valuations of which are provided by the private equity managers. A breakdown of the opening market value to closing market value for Private Equity investments can be found in Note 13. This shows Private Equity movements in year for Wilshire and LGT.

Reconciliation of Fair Value Measurement within Level 3

Transfers between level 2 and 3 due to reappraisal of property valuation techniques.

Asset	**Market Value at 31/03/2019**	**Transfer into Level 3**	**Transfer out of Level 3**	**Purchases at cost**	**Sales**	**Unrealised Gain/(Loss)**	**Realised Gains/(Loss)**	**Market Value At 31/03/2020**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
UT - Property UK	92,033	0	0	6,764	0	(8,519)	0	90,278
Freehold Property	2,200	0	0	0	0	290	0	2,490
Diversified Alternative	114,564	0	0	0	(3,745)	(2,397)	0	108,422
Private Equity	8,598	0	0	(11)	(4,589)	(2,158)	3,059	4,899
Total	**217,395**	**0**	**0**	**6,753**	**(8,334)**	**(12,784)**	**3,059**	**206,089**

The prior year comparator is as follows:

Asset	**Market Value at 31/03/2018**	**Transfer into Level 3**	**Transfer out of Level 3**	**Purchases at cost**	**Sales**	**Unrealised Gain/(Loss)**	**Realised Gains/(Loss)**	**Market Value At 31/03/2019**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
UT - Property UK	48,194	52,365	(7,155)	6,056	0	(5,602)	(1,825)	92,033
Freehold Property	2,200	0	0	0	0	0	0	2,200
Diversified Alternative	106,108	0	0	0	(2,550)	11,007	0	114,564
Private Equity	9,070	0	0	(66)	(1,075)	1,728	(1,059)	8,598
Total	**165,572**	**52,365**	**(7,155)**	**5,990**	**(3,625)**	**7,133**	**(2,884)**	**217,395**

Sensitivity of assets value at level 3

Having analysed historical data and current market trends, and consulted with the Funds' performance management advisors, the Fund has determined that valuation methods described above are likely to be accurate to within the following ranges, and set out below the consequent potential impact on the closing value of investment as at 31 March 2020.

Asset	Value as at 31 March 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	90,278	2.6	92,599	87,958
Freehold Property	2,490	2.6	2,554	2,426
Private Equity	4,899	5.2	5,155	4,644
Diversified Alternative	108,422	5.2	114,074	102,769
Total Assets available to Pay Benefits	**206,089**		**214,382**	**197,797**

The prior year comparator is as follows:

Asset	Value as at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	92,033	2.2	94,097	89,969
Freehold Property	2,200	2.2	2,249	2,151
Private Equity	8,598	0.9	8,679	8,518
Diversified Alternative	114,564	3.3	118,338	110,791
Total Assets available to Pay Benefits	**217,395**		**223,363**	**211,429**

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped, based upon the level at which the fair value is observable.

Values as at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through profit and loss	3	1,012,573	203,600	1,216,176
Non-Financial assets at Fair Value through profit and loss	0		2,490	2,490
	3	**1,012,573**	**206,090**	**1,218,666**

The prior year comparator is as follows:

Values as at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through profit and loss	0	1,102,697	215,195	1,317,892
Non-Financial assets at Fair Value through profit and loss	0		2,200	2,200
	0	**1,102,697**	**217,395**	**1,320,092**

Note 15 - Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, 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. Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment and Administration Panel. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and market conditions.

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 risk. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- The exposure of the Fund to market risk is monitored through risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contacts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk – Sensitivity Analysis

Having analysed historical data and expected investment return movement during the financial year, and consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period.

Asset	**Potential Market Movements (+/-)**
UK Equities	13.00%
Overseas Equities	13.00%
Bonds	5.60%
Property	2.60%
Cash	3.00%
Private Equity	5.20%
Diversified Alternative	5.20%
Multi Asset	3.80%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments moved in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset	**Value as at 31 March 2020 £000**	**Percentage Change %**	**Value on Increase £000**	**Value on Decrease £000**
Cash and Cash Equivalents	21,300	3.00	21,939	20,661
UK Equities	164,406	13.00	185,732	143,080
Overseas Equities	442,334	13.00	499,713	384,955
Bonds	235,092	5.60	248,310	221,874
Property	139,046	2.60	142,620	135,472
Private Equity	4,900	5.20	5,155	4,645
Diversified Alternative	108,422	5.20	114,074	102,770
Multi Asset	124,139	3.80	128,809	119,469
Other Investment Balances	(1,013)	0	(1,013)	(1,013)
Total Assets available to Pay Benefits	**1,238,626**		**1,345,341**	**1,131,911**

The prior year comparator is as follows:

Asset	Value as at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	19,801	0.50	19,900	19,702
UK Equities	205,339	9.20	224,213	186,464
Overseas Equities	489,039	9.20	533,992	444,086
Bonds	234,327	3.70	243,052	225,603
Property	140,065	2.20	143,206	136,924
Private Equity	8,598	0.90	8,679	8,518
Diversified Alternative	114,564	0.90	115,636	113,493
Multi Asset	121,751	3.30	125,761	117,741
Other Investment Balances	(828)	0	(828)	(828)
Total Assets available to Pay Benefits	**1,332,656**		**1,413,611**	**1,251,703**

<u>Interest Rate Risk</u>

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 is through its cash and fixed interest security holdings.

<u>Interest Rate Risk - Sensitivity Analysis</u>

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 25 basis points (bps) over the course of the next year. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 25 bps change in interest rates.

Asset	Carrying Amount as at 31 March 2020	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Cash Balances	13,350	13,383	13,316
Cash on Deposit	144	145	144
Cash Equivalents	7,628	7,647	7,609
Blackrock Institutional Series	178	178	177
Total Interest Rate Risk Assets	**21,300**	**21,353**	**21,246**

Asset	Carrying Amount as at 31 March 2020	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Fidelity GMAC	99,479	98,534	100,424
Fidelity UK Aggregate Bond Fund	135,613	131,986	139,241
Total Interest Rate Risk Assets	**235,092**	**230,520**	**239,665**

The prior year comparator is as follows:

Asset	Carrying Amount as at 31 March 2019	Change in Year in the Net Assets available to Pay Benefits	
		+ 50 bps	-50 bps
	£000	£000	£000
Cash Balances	6,236	6,251	6,220
Cash on Deposit	118	118	117
Cash Equivalents	7,189	7,207	7,171
Blackrock Institutional Series	6,259	6,275	6,244
Total Interest Rate Risk Assets	**19,802**	**19,851**	**19,752**

Asset	Carrying Amount as at 31 March 2019	Change in Year in the Net Assets available to Pay Benefits	
		+ 50 bps	-50 bps
	£000	£000	£000
Fidelity GMAC	106,612	105,738	107,465
Fidelity UK Aggregate Bond Fund	127,715	124,701	130,908
Total Interest Rate Risk Assets	**234,327**	**230,439**	**238,373**

Currency Risk

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

Currency Risk – Sensitivity Analysis

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

Asset	Asset Value as at 31 March 2020	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	4,900	7.9	5,285	4,514
Overseas Unitised Insurance Policies	415,124	7.1	444,753	385,495
Overseas Unit Trust Other	105,902	6.2	112,498	99,307
Overseas Equities	3	6.3	3	2
Cash held in Foreign Currencies	80	8.1	86	74
Total Currency Risk Assets	**526,009**		**562,625**	**489,392**

The prior year comparator is as follows:

Asset	Asset Value as at 31 March 2019	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	8,598	8.3	9,315	7,882
Overseas Unitised Insurance Policies	432,024	8.2	467,314	396,733
Overseas Unit Trust Other	117,615	8.8	127,933	107,298
Cash held in Foreign Currencies	4	8.6	5	4
Total Currency Risk Assets	**558,241**		**604,567**	**511,917**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions held in year where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The Fund has a private equity portfolio where there is a higher credit risk. At the reporting date 0.40% of the Fund was in private equity thereby capping exposure to this asset class. Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £13.4m (£6.2m at 31 March 2019). This was held as follows:

Counterparty Type	31 March 2019 £000	31 March 2020 £000
UK Banks	6,236	13,350

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed. If the Fund found itself in a position where it did not have the monies to meet its immediate commitments then liquid assets could be sold to provide additional cash. The fund defines liquid assets as assets that can be converted to cash within three months. As at 31 March 2020, the value of liquid assets represented 79% of the Fund (79% at 31 March 2019). Financial liabilities of £2.448m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

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

Note 16 – Funding Arrangements

In accordance with The Local Government Pension Scheme Regulations 2013, the adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be re-valued every three years, the latest triennial valuation was carried out as at 31 March 2019 (effective from 1 April 2020) by the funds actuary, Barnett Waddingham. The results were published in the 31 March 2019 actuarial valuation which is available on the Royal Borough of Greenwich website.

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

The market value of the Fund at the 2019 review date was £1,332m (£1,052m in 2016) and results showed that assets represented 97% of the liabilities (91% in 2016). The Fund deficit arising from the valuation was £45m as at 31 March 2019 (£105m as at 31 March 2016), which is to be spread and recovered over a 20-year period. The reconciliation of the primary contribution rate is as shown below:

Contribution Rate Analysis	**Mar-19**
	%
Future Service Total	16.6
Deficit Contribution	1.9
Total Employer Contribution Rate	**18.5**

The triennial valuation determines the contribution rate for each employer in the Fund using statistical information specific to each employer. The agreed contribution rates in accordance with the results of the actuarial valuation are as follows:

Year	Royal Borough of Greenwich	Other Bodies
2020/21	18.50%	16.3% - 18.6%
2021/22	18.50%	16.3% - 18.6%
2022/23	18.50%	16.3% - 18.6%

Details of each employer's individual rates are detailed in the Rates and Adjustment Certificate, which can be found in the triennial valuation report. New employers admitted after 31 March 2019 are actuarially assessed to determine their individual employer contribution rates.

The actuarial valuation using the 'Projected Unit Method' is based on economic assumptions. Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the inter-valuation period are summarised as follows:

Future Assumed Returns as at March 2019	Assumed Returns % p.a.
Investment Return	
Equities	6.7
Gilts	1.7
Bonds	2.6
Property	6.1

Financial Assumptions	2019 % p.a.	2016 % p.a.
Discount Rate	5	5.5
Short Term Pay Increases	n/a	CPI to 31 March 2020
Long Term Pay Increases	3.6	3.9
Consumer Price Inflation (CPI)	2.6	2.4
Pension Increases	2.6	2.4

The assumed life expectations from age 65 are as follows:

Demographic assumptions – Life expectancy from age 65	31-Mar 2019	31-Mar 2020
Retiring Today		
Males	21.6	20.8
Females	23.6	23.5
Retiring in 20 years		
Males	23.3	22.3
Females	25.4	25.1

The actuary has also assumed that:

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

Note 17 - Actuarial Present Value of Promised Retirement Benefits (IAS 19 basis)

To assess the value of the Fund's liabilities at 31 March 2020, the values calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19. The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is:

Net Present Value	31-Mar 2019 £000	31-Mar 2020 £000
Present Value of Funded Obligation		
Vested Obligation	(2,018,582)	(1,960,095)
Non-Vested Obligation	(55,372)	(28,879)
Total Present Value of Funded Obligation	(2,073,954)	(1,988,974)
Fair Value of Scheme Assets	1,332,469	1,238,411
Net Liability	**(741,485)**	**(750,563)**

The financial assumptions used to assess the total net liability as at 31 March 2020 are:

Financial Assumptions	Mar-19	Mar-20
	% p.a.	% p.a.
Discount Rate	2.4	2.4
Pay Increases	3.9	2.9
Pension Increases	2.4	1.9

Note 18 - Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2020:

2018/19 £000	Debtors	2019/20 £000
	Investment Debtors	
130	Tax Refunds Due	35
32	Dividends Due	11
162	**Total Investment Debtors**	**46**
	Member Debtors	
413	Contributions	575
119	Other	450
532	**Total Member Debtors**	**1,025**
694	**Total Debtors**	**1,071**
	Analysed By	
694	Other Entities and Individuals	825
0	Central Government Bodies	246
694	**Total Debtors**	**1,071**

2018/19 £000	Creditors	2019/20 £000
	Investment Creditors	
(1,127)	Management Fees	(1,079)
0	Purchase of Investments	0
(3)	Custody Fees	(41)
(10)	Other	(89)
(1,140)	**Total Investment Creditors**	**(1,209)**
	Member Creditors	
(174)	Benefits Unpaid	(210)
(546)	Other	(1,029)
(720)	**Total Member Creditors**	**(1,239)**
(1,860)	**Total Creditors**	**(2,448)**
	Analysed By	
(477)	Central Government Bodies	(470)
0	Local Authorities	(442)
(1,383)	Other entities and individuals	(1,536)
(1,860)	**Total Creditors**	**(2,448)**

Note 19 – Cash and Cash Equivalents

The cash balance can be further analysed as follows:

Cash	2018/19 £000	2019/20 £000
Royal Borough of Greenwich Pension Fund (UK Banks)	6,236	13,350
Royal Borough of Greenwich Pension Fund (Held at Custodian)*	5	8
CBRE Cash at Hand	96	64
State Street Global Markets	17	72
Total Cash	**6,354**	**13,494**

Cash Equivalents	**2018/19 £000**	**2019/20 £000**
Royal Borough of Greenwich Pension Fund	376	589
Blackrock	4	3
CBRE	6,809	7,036
Total Cash Equivalents	7,189	7,628

*'Others' renamed to 'Royal Borough of Greenwich Pension Fund (Held at Custodian)'.

Note 20 - Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/01, Equitable Life announced itself closed to new business. On 23 December 2010, the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since then, employees have had the option to pay current contributions into a Clerical Medical Fund. During 2019-20 policies held with Equitable Life where transferred to Utmost Life and Pensions. In accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are prohibited from being credited to the Local Government Pension Scheme and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31 March 2020, are shown below:

2018/19 £000	**AVC Contributions**	**2019/20 £000**
54	AVC Contributions to Clerical Medical	54
0	AVC Contributions to Equitable Life	*0
54	**Total Contributions**	**54**

31 March 2019 £000	**AVC Market Values**	**31 March 2020 £000**
892	Clerical Medical Market Value	874
359	Utmost Life and Pensions Market Value	363
1,251	**Total Market Value**	**1,237**

*During 2019-20 AVC's previously held with Equitable Life transferred to Utmost Life and Pensions

Note 21a - Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the Fund). During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues have undertaken any material transactions with the Pension Fund, other than the following:

a) Administrative services were undertaken by the Authority on behalf of the Fund, under the service level agreement, valued at £1.123m in 2019/20 (2018/19: £0.904m).
b) The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £30.233m to the Fund in 2019/20 (2018/19: £28.725m).
c) With respect to other Scheduled Bodies, an amount of £0.188m was owed to the Fund by Academies at year-end for contributions due.
d) The Royal Borough of Greenwich Pension Fund is a Member of the London Councils Collective Investment Vehicle. Councillor Brooks was the Fund's representative on the Board, along with Councillor Babatola as deputy. In 2019/20, an administration fee of £0.149m was paid to this organisation.

Note 21b – Key Management Personnel

Key Management Personnel Remuneration

The Key Management personnel of the Fund are the Director of Corporate Finance & Deputy s151 Officer, the Chair of the Pension Fund Investment and Administration Panel and the Pension Investment Manager. The total remuneration payable to key management personnel is set out below:

2018/19 £000		2019/20 £000
80	Short-term benefits	90
36	Post-employment benefits	413
116		**503**

Note 22 – Commitments

The Fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time, as and when the private equity managers request them. As at 31 March 2020, the Fund had £1.882m of private equity commitments outstanding (31 March 2019: £1.892m). These are not required to be included in the Accounts.

Note 23 – Events after reporting period

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in all sectors by the efforts and restrictions being made to reduce the spread of the virus.

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets, like the possibility of a second wave. The short and long-term implications of the shut-down we had and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

For a pension scheme, a non-adjusting event could be the significant decline in the value of investments. As a result of Covid-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for COVID-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards), as at the end of September 2020 the investments are valued overall at a higher value than were at 31 March 2020 (in these financial statements). The value of investment assets as at 30th September 2020 (excluding debtors and creditors and cash at bank) was £1.378m. The Fund will monitor for any additional impact.

Accounting Policies

General

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which states that the Accounts are to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the "Code") based upon International Financial Reporting Standards (IFRS). The Statement of Accounts has been prepared on a going concern basis. 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. Many values throughout the accounts are rounded to the nearest £000, as such tables and notes may not appear to cross-cast or exactly match the sum of the individual items.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority 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 Authority.
- Revenue from the provision of contracts and services is recognised in-line with the consumption of performance obligations.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue for the provision of contracts and services is recognised in line with IFRS15.

Acquired Operations

Acquired operations are those that the Authority has acquired during the reporting period as a result of the reorganisation of local government, or the transfer of services acquired as a consequence of legislation. The Authority will account for these in accordance with IAS 1 if material, and disclose any comparative amounts, if applicable.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Change in Accounting Policy
Policies are the principles used to prepare the financial statements. A change in policy generally originates from the accounting standards although it could come from being able to provide more relevant and reliable information. These are normally processed retrospectively, although in some cases can be prospective, where stated.

Change in Accounting Estimate
This is an adjustment of the carrying amount of an asset or liability resulting from new information. These are processed prospectively in the current and future reporting periods.

Prior Period Adjustment
This is a material omission or misstatement that could reasonably have been accounted for in the preparation of the accounts for the previous reporting period. This is processed through retrospective restatement of the accounts by amending the opening balances and comparative amounts for the prior period. A note to the accounts will be included for prior period adjustments where necessary.

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 non-current 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 assets attributable to the service.

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Statements at the earlier of the following dates:

- when the Authority can no longer withdraw the offer of those benefits
- when the Authority recognises costs of a restructuring and involves the payment of termination benefits.

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

Post-Employment Benefits

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

- The NHS Pension Scheme
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the Royal Borough of Greenwich or the London Pension Fund Authority (LPFA).

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the NHS and Teachers Schemes' means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant cost of services line in the Statements is charged with the employer's contributions payable to the NHS and Teachers' Pensions schemes in the year.

The Local Government Pension Scheme

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

- The liabilities of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority 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 based on the Single equivalent discount rate (SEDR). Under this approach, rather than discount future cashflows with a single discount rate equal to the spot rate on the yield curve, this approach estimates the single equivalent rate that would produce the same liability as discounting each individual projected cashflow using a yield curve for AA rated bonds.
- The assets of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority are included in the Balance Sheet at their fair value:
  - for quoted securities – current bid price
  - for unquoted securities – professional estimate
  - for unitised securities – current bid price, except where only a single price is available in which case, net asset value
  - for property – market value.
- The Authority have opted to restrict the LPFA funded surplus to its total future service cost and take account of the asset ceiling, over the remaining lifetime of the active membership of the LPFA fund (on the accounting basis at the accounting date).

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

Discretionary Benefits

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

Events after the Reporting Period

These are 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:

Adjusting

Those events that provide evidence of conditions that existed at the end of the reporting period. Where material, the financial statements and notes are amended to reflect the impact of the events.

Non-Adjusting
Those events that are indicative of conditions that arose after the reporting period. The financial statements are not amended to reflect the events, but additional explanatory notes are provided.

Income from Taxation and Social Housing Rents

Revenue relating to social Housing Rents, Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses). Council Tax and Business Rates are accounted for in accordance with IPSAS 23 (i.e. non-contractual, non-exchange transactions). Housing rental income is shown within the Statements but local taxes collected as part of an agency arrangement (Council Tax and Business Rates) are not.

Material Items of Income and Expenditure

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

Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets, investment properties and assets held for sale and some of its financial instruments 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:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability 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 authority 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 authority 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 in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

Financial Instruments

Financial instruments are recognised in the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities 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 Statements 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 of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged within the Statements is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Statements in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down in the Statements are spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Statements, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority 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 Statements 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 Movement in Reserves Statement.

Financial Assets

In accordance with IFRS 9, financial assets are classified into three categories:

- Financial assets held at amortised cost. These are loans and loan arrangements where repayments of interest and principal occur on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest and the interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.
- Fair value through profit or loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

- Fair value through other comprehensive income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES on asset disposal.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Expected Credit Loss Model

Allowances for impairment losses have been calculated for amortised cost assets, using the expected credit loss model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they occur.

The Council will recognise expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis, where material. The expected credit loss model also applies to lease receivables and contract assets.

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.

Foreign Currency Translation

Where the Authority 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. Realised gains or losses are recognised in the Financing and Investment Income and Expenditure line.

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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited 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 are shown as liabilities on the Balance Sheet until outstanding conditions are satisfied. 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). Where capital grants are credited, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL), which is applied to chargeable developments with 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 infrastructure projects in accordance with the amended Community Infrastructure Levy Regulations.
CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement and subsequently transferred to a useable reserve until required to fund the capital projects in accordance with the accounting policy for government grants and contributions set out above.

Heritage Assets

Where an asset is primarily retained for its contribution to knowledge and culture, it is designated as a heritage asset. However, where an asset is in operational use then it is classified accordingly, rather than as a heritage asset. Heritage Assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The collection, as a whole, is relatively static and acquisitions and donations are infrequent. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation, ascertained by the museum's staff, utilising professional valuation organisations where appropriate. Where material, these items are reported in the Balance Sheet, with items in excess of £10,000 being individually disclosed. In relation to the Authority's overall asset base, values are relatively low and, as such, revaluations are not undertaken frequently due to the high cost of the process involved in valuing a diverse set of assets and the lack of comparative values. The items themselves are enduring in nature and, therefore, are not depreciated. The carrying amounts of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment. The proceeds of any disposals are disclosed separately in the notes to the financial statements and are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority. Intangible assets are measured initially at cost and are carried thereafter at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s). 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). Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line.

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

Interests in Companies & Collaborative / Joint Arrangements

In accordance with IFRS 10, 11 and 12 the Authority has assessed the level of control it exerts with those organisations deemed to be within the group boundaries and categorised them accordingly and where appropriate, interests shown at book cost. This process has led to the conclusion that entries in relation to the preparation of Group Accounts are not material and therefore not required. Details of the categorisation of entities, with further description relating to their composition and activities, are provided in note 28. Those activities in relation to joint committee activities are deemed to be outside of joint arrangement accounting.

Inventories

Inventories are included in the Balance Sheet at cost.

Investment Properties

Investment Properties are held solely for rental income and capital appreciation and are initially measured at cost. Investment Properties are not depreciated but subsequently revalued at the reporting date and held at the highest fair value achievable via an arm's length transaction. Gains and losses arising from revaluations or disposals are posted to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement along with rental incomes.

Gains and losses arising from the revaluations and disposals are not permitted by statutory arrangements to have an impact on the General Fund Balance, and are therefore reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account and Capital Receipts Reserve (where proceeds are greater than £10,000).

Property classifications are reviewed annually to ensure the definition of an Investment Property is met.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment will be accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Authority as Lessee</u>

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. 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
- a finance charge (debited to the Financing and Investment Income and Expenditure line).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. The Authority 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 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 Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the benefits received by the Authority.

The Authority as Lessor

Finance Leases

Where the Authority 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 as part of the gain or loss on disposal. The sale proceeds, representing the Authority's net investment in the lease, are credited to the same line in the 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).

The gain or loss presented on disposal is not permitted by statute to increase or decrease the General Fund Balance. The net investment in the lease is required to be treated as a capital receipt and the carrying value of the asset is posted to the Capital Adjustment Account. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. 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 Movement in Reserves Statement. 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 Capital Receipts Reserve or the General Fund where the lease was entered into on or before 31 March 2010. 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 Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

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 Authority 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. A de minimis level of £10,000 has been adopted for the inclusion of Property, Plant and Equipment.

Measurement

Assets are initially measured at cost, comprising:

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

- an estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its 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 Authority). 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 Authority. 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, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Valuations are undertaken by a Chartered Valuation Surveyor and are made in accordance with the guidance from the Ministry of Housing, Communities and Local Government and the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors. Valuations for use within the Accounts are sought by the Director of Finance from the Director of Regeneration, Enterprise and Skills. The relevant staff work in separate directorates, are professionally qualified and abide by their respective institute's ethical and other requirements. Assets, including HRA assets are valued as at 01 April and reviewed at 31 March. If the Valuer advises that there has been significant movement in the value of assets during the year, then a further revaluation may take place to ensure that their carrying amounts are not materially different from their values. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- The council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets and assets held for sale – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited where they arise from the reversal of a loss previously charged to a service). 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).

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 Capital Adjustment Account.

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:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the useful life as estimated by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years. Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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).

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

Disposals and Non-current Assets Held for Sale

Assets held for sale are assets:

• immediately available for sale;
• where the sale is highly probable;
• actively marketed;

• expected to be sold within 12 months.

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. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status. 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. 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 as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts related to disposal of dwellings are subject to the pooling requirements and the RTB Retention Agreement. Receipts from non dwelling HRA disposals are retained by the Council for the purposes of affordable housing. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative 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 Authority 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 Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has two PFI schemes (the provision of three Neighbourhood Resource Centres and two schools) where the assets are carried in its Balance Sheet (excluding one school which converted to academy status 2014/15). 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 Authority. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service
- finance cost – an interest charge on the outstanding Balance Sheet liability, and debited to the Financing and Investment Income and Expenditure line
- 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
- 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)

- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority 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 year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority 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 Authority. 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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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.

Reserves

The Authority's reserves are reflected in the Movement in Reserves Statement. They include reserves the Authority sets aside for earmarked purposes. An analysis of earmarked reserves is contained within Note 7.

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

Revenue Expenditure Funded from Capital under Statute

Legislation allows for some expenditure incurred during the year, which does not result in the creation or enhancement of a non-current asset, to be funded from capital resources that under normal accounting practice would be charged to Surplus or Deficit on the Provision of Services. Where it has been determined to meet the cost of this expenditure, usually grants and expenditure on property not owned by the Authority, from capital resources or by borrowing this is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Movement in Reserves Statement; such that there is no impact on the level of council tax. During 2019/20 the Council utilised the temporary Flexible Use of Capital Receipts directive, which permits the funding of one-off service transformation costs, that will result in on-going savings, from capital receipts.

VAT

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

1..Scope of responsibility

The Royal Borough has approved and adopted a code of corporate governance based on the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government: Framework (2016)*. A copy of the code can be obtained from the Director of Finance In accordance with this framework the Royal Borough has to undertake a review of its systems of internal control at least annually. This statement explains how the Royal Borough has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the effectiveness of its system of internal control.

CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in April 2016.

2..What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

3..The governance framework

The core principles of good governance are set out in the CIPFA/SOLACE Framework and the first two are expected to permeate the other core principles:

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

The Royal Borough's governance framework is summarised in its Local Code of Corporate Governance. The following paragraphs outline the key elements of the systems and processes that comprise the Royal Borough's governance framework and arrangements, in place in 2019/20 and summarises how the principles of good governance have been met.

4..What is the purpose of a Governance Framework?

The governance framework is set out in the Code of Corporate Governance, which is reviewed annually and updated. The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- has effective arrangements for the management of risk;
- secures continuous improvement in the way that it operates;
- enables human, financial, environmental and other resources to be managed efficiently and effectively;
- properly maintains records and information; and
- ensures its values and ethical standards are met.

The governance framework has been in place during the year ended 31 March 2020.

5..Annual Governance Statement

The Annual Governance Statement is an annual assessment of the governance assurance processes in place to meet the governance framework. This includes Cabinet Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

In addition, 'an assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, what level of reliance they are able to place on that assurance and what potential gaps are identified in that assurance.

Effective risk management and control assurance can come from many sources within the Council:-

- functions that own and manage risks e.g. management and supervisory controls;
- functions that oversee risks e.g. Governance structures and processes such as ARM Panel, Scrutiny, and Boards; and
- functions that provide independent assurance on the management of risks e.g. OFSTED and Internal/External Audit.

These help the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. This summarises the Council's governance assurance framework.

6..How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements that have been in place during the preceding financial year. The key sources of assurance that inform this review are outlined below:

- The continued development and implementation of a Member / Management governance assurance framework, which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;

- Internal Audit's independent review of the effectiveness of the Local Government Pension Scheme's governance arrangements, which includes the administration of the pension fund;
- The Head of Internal Audit's annual report 2019/2020, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- The outcome of risk management activity during 2019/2020 and any critical risks identified; and
- Any comments made by the Council's External Auditors and any other review agencies and inspectorates.

A Corporate Assurance Checklist is prepared which sets out in detail the arrangements in place and how the Council believes that its arrangements have meet the CIPFA Principles of Good Governance.

7..Review of effectiveness

The Royal Borough 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, i.e. the Head of Internal Audit's annual report, and by comments made by external auditors.

The Local Code of Governance is the Royal Borough's governance framework; there are various levels of assurance, in particular the level of internal control exerted by the management of the Royal Borough summarised in the Corporate Assurance Checklist for 2019/20.

In reviewing the Royal Borough's governance arrangements this year it has considered the arrangements in place and operating for the majority of the financial year ended 31 March 2020 and it has also considered the arrangements in response to the on-going Coronavirus Pandemic.

Pre-Pandemic Governance arrangements

The review process has considered the evidence of how governance operated during the year prior to the pandemic and determined its effectiveness. The review has then considered the response to pandemic and how the operations of the Royal Borough have adapted to the rapidly changing situation.

The normal governance process included reviewing-;

- The Council's constitution which has been updated to reflect the roles and responsibilities of members in the current municipal year;
- Arrangements for communicating with the citizens of Royal Greenwich and other stakeholders which include providing information, online consultations and meetings;
- Performance management arrangements to ensure the delivery of objectives within the corporate plan within the planned resources;
- Roles, responsibilities and training of members and officers responsible for governance;
- The process for making financially and legally prudent risk assessed decisions and reviewing decisions through the Overview and Scrutiny process;
- Overall risk management arrangements and the process for reporting concerns and complaints;
- Activities of the relevant member committees and panels;
- Activities of the departmental management teams in the delivery of their services plans and the respective contributions to the corporate plan;
- The Head of Internal Audit report on the Royal Borough's internal control arrangements based on internal audit's work programme during the year to ensure compliance with policies and procedures;

- Arrangements for following up actions identified from the previous Annual Governance Review process; and
- The findings of the Royal Borough's external auditors on the work undertaken on the governance of the Royal Borough which previously gave an unqualified opinion on the accounts.

The Council used the corporate plan 2018-2022 which makes explicit statements about the Councils objectives and how it intends to achieve these.

https://www.royalgreenwich.gov.uk/downloads/file/3851/corporate_plan_2018_to_2022

Governance arrangements and the Coronavirus Pandemic

The Council began its preparations for the emerging pandemic in February 2020:

- The Director of Finance advised Audit and Risk Management Panel on 25 February 2020 that the council had begun initial preparations in relation to the growing Public Health Emergency of International Concern which was also beginning to affect global stock markets.
- A COVID-19 Taskforce was established and included officer representatives of all council services and was co-chaired by the Director of Public Health and Wellbeing and the Assistant Director, Communications and Democratic Services with the first meeting of the Taskforce on 13 March 2020.

In 16 March, the Prime Minister advised everyone in the UK against "non-essential" travel and contact with others, and to work from home if possible. By 23 March 2020 the country was in lockdown.

A range of initial actions were taken to prepare for the pandemic; internal and external communications were issued to advise staff and residents of the measures that they needed to take and to provide support and reassurance.

Measures were taken to increase remote access to the Council's network to enable more officers to work from home, particularly for those in critical roles who need access to systems not available through Office 365.

- The Council's supplies of hand sanitizer were controlled to ensure that it was prioritised for customer-facing staff while procurement of new supplies were centralised, ensuring both that stocks were prioritised and that only hand sanitizer that was effective procured.
- The Council worked with local NHS services to increase the rate of hospital discharge, in order to reduce the number of patients in hospital, increasing capacity.
- The impact of school closures on families with children in receipt of free school meals was identified and efforts between the Council, schools and GS Plus coordinated to support families.

The London Local Authority Coordination Centre (LLACC) requested that all London Boroughs activate their Borough Emergency Control Centres (BECCs) on March 17. This activation established a Gold, Silver and Bronze procedures to ensure all decision response actions are properly recorded.

Greenwich BECC was been in operation seven days a week from this date and was staffed by the Emergency Planning and Business Continuity Team and staff from across the Council. A central part of the BECC's role during the pandemic has been to coordinate information flows to and from the pan-London, regional and national response arrangements.

The COVID-19 Taskforce then became the COVID-19 Silver Group. It provides daily updates on the impact of COVID-19 on Council services and coordinates the directorates' response to the pandemic. The response is cleared by Gold ahead of submission to the LLAC.

At the height of the pandemic the emergency planning and business continuity measures were in place to keep services operating:-

- Establishing an operating framework to communicate and guide the organisation;
- Identifying priority services;
- Identifying staff at risk or absent;
- Identifying and redeploying staff to cover staff shielding and-self isolating;
- Identifying and responding to changes in need and demand; and
- Introducing other measures giving staff remote access to Council systems and facilities to continue to operating despite the Government restrictions.

The Government introduced measures following the March Budget to support business, through Business rates relief and Government Grants to Local Businesses. In response, the Council has responded by ensuring that control measures are in place when allocating the support funds.

The Statement of Accounts for 2019/20 is deferred as is the completion of the external auditor and will now be completed by 30 November instead of 31 July. The accounts will reflect the initial response to the pandemic - additional expenditure incurred, additional government support, any reductions in income such as Council Tax.

The impact on the financial position of the Council in 2020/21 will need to be assessed and the Medium Term Financial Plan will need to be revised once the final position becomes clearer. This review will in part depend on the impact upon the Council's financial position and the recovery in the borough and across the South East Region reflecting the impact upon businesses and employment.

Although some easing of the restrictions has occurred, it is likely that some of the restrictions will continue into 2021. As the easing has occurred the process has been managed and controlled in accordance with Government guidance. In addition, plans have anticipated a second wave and further restrictions.

8..Significant governance issues

The 2018/19 Annual Governance Statement included three areas that represented significant governance issues.

- IT Disaster Recovery and Business Continuity;
- No Recourse to Public Funds; and
- Data Breaches

It was proposed to remove IT and disaster recovery from the Annual Governance Statement issues. The ICT section was working towards greater mobile working and minimising the associated risks. The rapid move to greater mobile working has been necessitated to adapt the current environment. Given the introduction of remote working for a large proportion of the staff, remote meetings brought on by social distancing measures, and other remote arrangements to manage services, this risk should remain and subject to closer scrutiny.

In relation to no recourse to public funds this has been retained as a significant governance issue. Internal Audit conducted follow up work further to a previous audit review in this area and were unable to gain the required level of assurance that controls have improved sufficiently. This remains an area of close monitoring and represents a financial pressure on the Council's financial position.

A significant fine resulting from a data breach under the General Data Protection Regulation remains a risk to the Council. Although there have been minor breaches, the risk of a material breach has increased with the arrangements to deal with the pandemic and the increase in significant remote working.

During 2019/20, the Medium Term Financial Strategy (MTFS) was closely monitored and any risks in achieving the required financial savings contained within the Strategy were been assessed. The 2018/19 external audit opinion concluded that while there were risks and demand pressures the Council had set realistic savings targets based on reasonable assumptions. However the risks associated with the pandemic and the longer-term uncertainty, locally and nationally, now presents a significant challenge and this should be included under the Annual Governance Statement.

During 2020/21 Members of the Audit and Risk Management Panel will be kept abreast of on-going progress achieved in these areas with a view to removing each area as a significant governance issue in the next Annual Governance Statement.

The following items have been identified as issues of concern to be monitored:-

Governance Area	Governance Control Issue	Action Required	Responsible Officer
IT - Disaster Recovery /Business Continuity	The Council's IT Disaster Recovery / Business Continuity system remains a strategic risk to the Council, due to the pivotal nature of the service to the Council's operations. Having completed the move to our new Data Centre in Slough, the geographical risks have been replaced with contractor failure, network linkage and a new physical location. The Council's user estate is now operated in a hybrid mode, with some users on the core environment, while other work with cloud services. Loss of access to the cloud services is now a new strategic risk, along with the hacking of our cloud tenancy.	Having completed the upgrading of the core environment in April 2017, the primary risk around the TWC Data Centre has been mitigated.	Director of Communities & Environment

Governance Area	Governance Control Issue	Action Required	Responsible Officer
No Recourse to Public Funds (NRPF)	No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including many mainstream benefits such as Income Support and Housing Benefit. Families and individuals may have a right to financial support (accommodation and subsistence) from social services to avoid destitution or because of complex health needs. In these cases, the Royal Borough has a duty to support the accommodation and subsistence costs of residents with NRPF. These cases are often complex to assess and unpredictable as to how much they cost or how long they last. Expenditure in this area has steadily increased and as the Royal Borough receives no funding to support this work represents a significant budget pressure. There are also increasing legal costs and legal challenges. As Case Law expands there is a significant risk that the Council's duties and responsibilities also expand. The issue remains as a significant governance control issue going forward and the position is under regular review.	The NRPF Team continues to manage the council's response to people who present as requiring support, despite the fact that they have no access to public funds. The numbers of families supported is falling slowly, through robust gatekeeping and supported families being processed by the Home office and determined to now have access to public funds. Applications to the Council remain high. The team also manages the Sanctuary Project, which is the resettlement of 20 families under a Government scheme to resettle families from UNHCR camps in the Middle East. This project work in partnership with a range of voluntary organisations, including the Greenwich Islamic Centre, (GIC). The contract and details with the GIC are being revised.	Director of Health and Adult Services

Governance Area	Governance Control Issue	Action Required	Responsible Officer
Data Breaches	The new General Data Protection Regulation (GDPR) the fine from any breach will increase significantly. While the council has experienced data breaches in recent years they have been minor. There is now a risk that a breach, if significant, could result in a material fine.	The Council is in a better position than previously as its implementation programme has achieved an increased level of compliance and awareness. There is evidence of awareness amongst staff and department leads is improving and good audit trails have been established in response to this new legislation - although skillsets do require strengthening in high risk areas and corporately. To give greater assurance, the DPO and SIRO roles should be split between different individuals. The SIRO should be a member of the GMT. Responsibility for data protection and information governance should be moved from within the IT service in order to strengthen the message that these issues are corporate and not technological. The Council will continue to implement new systems and ways of working to address the on-going risk of weaknesses in information governance. The HR and Housing Services' unstructured data (data that is not organised in a pre-determined manner / field) is being transferred into a new Electronic Data and Record Management System (EDRMS), as part of an ongoing development and rollout programme. Further work is required to assure a comprehensive DR regime for this Office 365 based system to ensure that the CIA triple (confidentiality, integrity, availability) is being appropriately managed and risks mitigated.	Director of Communities & Environment

Governance Area	Governance Control Issue	Action Required	Responsible Officer
Medium Term Financial Plan	The medium-term financial planning process is an essential part of the Council's strategic planning framework. The Medium-Term Financial Strategy integrates strategic and financial planning over the current and subsequent four-year period. It translates the Council's priorities into a financial framework which enables the Cabinet and officers to ensure policy initiatives can be delivered within available resources and can be aligned to priority outcomes. The Council presented a refreshed Medium-Term Financial Strategy which was approved by Council on 26 February 2020. This highlighted a pressure over the medium term (up to and including 2023/24) of £37m. There continues to be significant uncertainty in the medium term for the future funding for local government. The 2020/21 Local Government Finance Settlement announced on 20 December 2019 was for one year only. Additionally, the Council continues to experience significant population growth and demographic change, placing further pressure on service provision. The Government is revising and updating the distribution process of funding between local authorities known as the Fair Funding Review. Local government were expecting to see the results of the Fair Funding Review and the move to 75% business rates retention implemented in April 2020. As result of delays caused by Brexit, in particular to the Spending Review planned in 2019, the Government had moved back implementation to April 2021. However, the government confirmed on the 28 April 2020 that the Review of Relative Needs and Resource and the introduction of 75% business rates retention will no longer be implemented in April 2021. The Covid-19 Pandemic will also have an impact on the Council's resources over the short and medium term	A revised medium-term financial strategy will be produced building on the Council's Continuous Improvement model.	Director of Finance

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor the implementation and operation as part of our next annual review.

Cllr Danny Thorpe	**Debbie Warren**
Leader of the Council	**Chief Executive**
Dated: 25 November 2020	**Dated: 25 November 2020**

Glossary

Accounting Policies
Rules and Practices are adopted by the Authority that dictate how transactions and events are shown.

Accruals
Income and expenditure are recognised as they are earned or incurred, rather than when money is received or paid.

Actuary
An independent professional who advises on the position of the Pension Fund.

Actuarial Valuation
The Actuary reviews the assets & liabilities of the Pension Fund every three years.

Amortisation
A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Appropriation
The assignment of revenue for a specific purpose.

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

Better Care Fund
A pooled budget between the Authority and the Clinical Commissioning Group.

Business Rates
A tax on non-domestic properties.

BSF
Building Schools for the Future.

Capital Expenditure
Expenditure on new assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts
Income received from the disposal of land, buildings and other capital assets.

Carrying Amount
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CIPFA
Chartered Institute of Public Finance and Accounting

Collection Fund Account
A fund operated by the billing authority into which all receipts of council tax and national non-domestic rates are paid.

Community Assets
Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal e.g. parks and historic buildings.

Comprehensive Income and Expenditure Statement (CSIE)
Statement of net cost for the year of all the Authority's services, and how this cost is financed from government grant and local taxpayers.

Council Tax
A tax on domestic properties introduced 1st April 1993 to replace the Community Charge.

CPI
Consumer Prices Index – a measure of inflation.

Creditors
Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

Debtors
Amounts owed to the Authority for goods and services provided but not received at the Balance Sheet date.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Earmarked Reserves
Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fair Value
Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership to the lessee. Assets under such leases are recognised as the lessee's property.

Financial Instruments Adjustment Account (FIAA)
Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by statute to be met from the General Fund.

General Fund
The account that summarises the revenue costs of providing services that are met by the Authority's demand on the collection fund, specific government grants and other income.

Gross Expenditure
Total expenditure before deducting income.

Heritage Asset
An asset with, historical, artistic, scientific, technological, geophysical, environmental or cultural significance.

Highways Network Asset
A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

HRA
This is the Housing Revenue Account, which includes the expenditure and income for the provision of rented dwelling. Items to be included are prescribed by the Local Government and Housing Act 1989.

IAS19
IAS19 is a complex accounting standard, but is based upon a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Following the adoption of IAS19, the net pensions asset/liability to be recognised is made up of two main elements:
- Liabilities – the retirement benefits that have been promised
- Assets – the attributable share of investments held to cover the liabilities.

IFRS
International Financial Reporting Standards.

Impairment
A reduction in the value of a fixed asset, as shown in the balance sheet, to reflect its true value.

Infrastructure Assets
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

Investment Property
A property which is held solely to earn rentals or for capital appreciation.

Liability Driven Investment (LDI)
A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent with defined-benefit pension plans.

MTFS
Medium Term Financial Strategy.

Minimum Revenue Provision
Amount that the Authority has determined to set aside each year as a provision for the repayment of debt.

Net Book Value
The amount at which Property Plant and Equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure
Gross expenditure less income.

Non-Current Assets
(In)tangible assets that result in benefits to the Authority and the services it provides for more than one year.

Non-Operational Assets
Non-current assets held by the Authority but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements.

NRC
Neighbourhood Resource Centre.

Operating Lease
A lease other than a finance lease. Allows the Council use of the leased asset, but not ownership.

Outturn
Actual income and expenditure for a financial year.

Precept
The charge made by one authority on another to finance its net expenditure.

Private Finance Initiative (PFI)
Government initiative under which the Authority buys the services of a private sector supplier to design, build, finance and operate a public facility.

Provision
Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

PWLB
Public Works Loans Board (advances loans to local authorities).

Rateable Value
The value of a property for rating purposes set by the Valuation Office Agency, an executive agency of HM Revenue and Customs. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by the government.

Reserves
The net worth of the authority (the sum of its net assets).

Revenue Expenditure
Regular day-to-day running costs incurred in providing services e.g. employee costs and purchase of materials.

Revenue Expenditure Funded from Capital under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Authority owned assets.

Revenue Support Grant
The main grant paid by central government to the Authority towards the costs of all its services.

RPI
Retail Prices Index – a measure of inflation.

Section 151 Officer
The Chief Finance Officer as set out under Section 151 of the Local Government Act 1972.

SoDoPS
Surplus or Deficit on the Provision of Services.

Soft Loans
Funds advanced or taken on at less than market rates.

Support Services
Activities of a professional, technical and administrative nature, which support front line services.

The Code
The Accounting Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Teckal
A company that carries out the essential part of its activities and in any case, more than 80% of its work, for the Authority, whereby the local authority exercises control over it similar to that which it exercises over its own departments.

Unusable Reserves
Element of the net worth of the authority that is not generally cash backed i.e. they are not available to be used (e.g. Revaluation Reserve).

Usable Reserves
Element of the net worth of the authority that is generally cash backed and set aside for specific purposes.