THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Royal Borough of Kingston upon Thames

Statement of Accounts 2017/18

Audited Statements

The Council's Statement of Accounts for the year ended 31 March 2018

CONTENTS

CHIEF FINANCE OFFICER'S NARRATIVE REPORT

About the Royal Borough of Kingston upon Thames

The Royal Borough of Kingston upon Thames is one of only four Royal Boroughs in England and Wales, and is one of the 32 London Boroughs, along with the City of London.

The Royal Borough is located in south west London, on the banks of the Thames, 12 miles from central London. The Council works closely with its partners such as the healthcare trusts, Kingston University, housing cooperatives, the police and other Local Authorities to deliver public services such as health, education, affordable housing and other infrastructure such as waste management and transport facilities in a high quality environment.

The Borough has excellent transport links so is well placed as a visitor and commercial centre and Kingston's town centre is a popular shopping and entertainment destination.

The Borough has an estimated population of 179,500 which is set to increase to 202,000 by 2030. The Borough has a diverse population - in 9.2% of households English is not the main language, 28.6% of households are comprised of one person and 13.5% of the population are aged over 65. Further information is available at: https://data.kingston.gov.uk/population/ Attainment levels in Kingston schools are high, with average results for the authority well above average for England for both primary and secondary education.

Political Structure

The Council consists of 48 Councillors, who are elected for four year terms. The Council is split into 16 wards each represented by 3 councillors.

As at the May 2014 election the political structure was as follows:

- Conservative 28
- Liberal Democrats 18
- Labour 2

In the period before the May 2018 election the political composition changed to:

- Conservative 26
- Liberal Democrats 18
- Labour 2
- Kingston Independent Residents Group 2

Following the May 2018 election the political composition of the Council has become:

- Liberal Democrats 39
- Conservative 9

The Council has a Committee system, involving all members of the Council in decision making. The Council sets the policy and budgetary framework and decisions are made by the strategic, neighbourhood and regulatory committees.

Organisational overview and operational model

Supporting the work of the elected members is the Council's Strategic Leadership Team (SLT), which is led by Charlie Adan, Chief Executive. A major management restructure has been undertaken, which will save £1m in management costs in 2018/19, and will result in a management team with 5 Directors (Children's Services, Adult Social Care, Communities, Growth, and Corporate and Commercial) and the Chief Executive and her Deputy.

Within this structure Children's services are delivered by Achieving for Children (AfC) which is a community interest company established in 2014. It is jointly-owned by three councils (Kingston, Richmond and Windsor and Maidenhead) to deliver social and educational services for children across the boroughs.

Further changes to re-design the organisational shape that sits below SLT is underway alongside changes to how the organisation operates and a move to a networked organisation. Savings equivalent to £1m a year in spend on agency staff have already been achieved during 2017/18. With rigorous controls, this total can be exceeded in 2018/19.

Governance /Annual Governance Statement (AGS)

The purpose of Kingston's AGS is to provide assurance regarding the Council's governance arrangements. The format and wording of the AGS are based upon official guidance. In respect of the previous financial year, it lists the key elements of the Council's governance framework – those systems and processes which must be effective if there is to be a high standard of governance across the Council. It summarises how assurance is obtained on these systems and processes, and lists the key areas where improvement is needed. Progress on any improvements is monitored during the following year.

The Annual Governance Statement is included on page 155.

Financial Outlook

Financially Kingston faces a number of challenges in the medium to longer term, including:

- Central Government funding falling year on year - 2017/18 was the last year in which Kingston received Revenue Support Grant funding
- The proportion of the Council's budget funded from Council Tax is much higher than the London average
- Managing risk by maintaining an appropriate level of reserves, addressing Kingston's historically low level
- Potential volatility of income streams under the business rates retention finance system due to linkages with local economic performance
- Demographic growth and an increasingly ageing population will continue to put pressure on the Council's budget
- The financial impact of Brexit is as yet uncertain. It could be positive or negative, but could affect interest and inflation rates, labour costs and property and rental values.
- The medium term financial plan reveals a budget gap of £17m to 2021/22 which will need to be closed by budget reductions and/or increases in resources through local taxation or other income
- There continues to be pressure on the Dedicated Schools Grant with a cumulative deficit on DSG of £10.69m, arising from funding for pupils with Special Educational Needs and Disabilities

A key funding development is that Kingston has signed up to be part of the London Business Rates pooling pilot which came into operation on 1 April 2018. This London wide pilot scheme includes all 32 London Boroughs as well as the City of London and the Greater London Authority (GLA). Through this pilot, London will be able to keep a greater share of the business rates it collects and benefit from 100% of any growth across the capital. A 'no detriment guarantee' ensures that no individual Borough will be worse off than they would have been under the existing system.

It is likely that over the medium term the Council will also benefit from a share of the additional growth in business rates generated across London. However, in the short term, the level of this growth is not a certainty and benefits will not be confirmed until after the end of the financial year. No additional resources have been assumed within the MTFP in relation to this, which is consistent with the approach taken by other London Authorities.

Risk

Councillors considered a financial risk analysis of the Council's proposed budget for 2018/19 when setting the Budget at Full Council in February 2018.

The Council holds a general fund balance to help mitigate against strategic financial risks such as interest rates, inflation and demographic spending pressures. Given the likelihood of all the risks materialising in full being low, the General Fund balance was considered to be sufficient, and also taking into consideration that the Budget for 2018/19 includes a further contribution (£3.5m) to the general fund balance.

The budget for 2018/19 does not depend upon the drawdown of reserves, has provided for growth and pressures of £14.1m and also includes a further contribution of £3.5m added to the general fund balance to help mitigate strategic financial risks.

Financial performance 2017/18

The financial year 2017/18 began with the setting of the budget by Councillors on 28 February 2017, when a balanced budget was set that included savings of £13.364m. The final position for the year 2017/18 shows that services were delivered within approved budget with a net revenue underspend of £3.601m, (2.7% of budget). As has been widely reported nationally, increased demands on Social Care and Education services are putting significant pressure on Council budgets across the country, however despite these significant pressures and as a result of robust monitoring and management actions, a balanced outturn was achieved.

As at 31 March 2018 the Council held a general fund balance of £11.6m and general fund earmarked reserves of £17.454m (a reduction of £8.408m from 31 March 2017). The former reflects the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and is a key indicator of the financial resilience of the organisation. The latter are held for specific purposes, but could ultimately be diverted to support general expenditure should such a need arise.

Our key strategic financial challenges - increasing demand for our services alongside reducing resources - remain the same, and our responses are also consistent. We have reviewed all major areas of spend through our "No Stone Unturned" programme and the long term solutions to our situation are to be found in increasing our revenue base, demand management in all services, increasing customer and client income, increasing commercialism, and prudent investment.

A summary of the 2017/18 General Fund revenue outturn position is set out as follows with the figures reflecting the familiar management accounts structure reported upon in 2017/18 before implementation of the new leadership structure took place.

General Fund Revenue Outturn	Original Budget 2017/18 £000s	Revised Budget 2017/18 £000s	Outturn 2017/18 £000s	Outturn Variance 2017/18 £000s
Health & Adult Social Care	56,196	55,220	55,700	**480**
Learning and Children's Services	33,877	31,807	34,073	**2,266**
Place	39,860	42,095	41,000	**(1,095)**
Sub-total Functions	**129,933**	**129,122**	**130,773**	**1,651**
ICT	0	(87)	0	**87**
Assets	(3,498)	(4,412)	(6,555)	**(2,143)**
Organisational Development & Strategic Business	870	3,733	2,816	**(916)**
Finance	7,073	9,242	8,822	**(420)**
Sub-total One Council Services	**4,445**	**8,476**	**5,083**	**(3,392)**
Neighbourhoods	92	98	75	**(23)**
Other Corporate Services	(3,052)	(8,421)	(9,992)	**(1,571)**
Our Kingston Programme	0	2,143	2,143	**0**
Sub-total Other Functions	**(2,960)**	**(6,180)**	**(7,774)**	**(1,594)**
Total expenditure	**131,418**	**131,418**	**128,082**	**(3,335)**
Total Resources	**(131,418)**	**(131,418)**	**(131,684)**	**(266)**
General fund net outturn	**0**	**0**	**(3,601)**	**(3,601)**

Housing Revenue Account (HRA)

The HRA accounts for the cost of housing people in Council owned accommodation. The Local Government and Housing Act of 1989 requires this income and expenditure to be ring-fenced. The final outturn position on the HRA shows a surplus for the year of £0.767m and a balance at year end of £6.183m.

The surplus largely consists of a £0.433m underspend on bad debt provision brought about by the postponed rollout of Universal Credit in Kingston to mid 2018/19 as against planned rollout in 2017/18 and reductions in rent arrears and debt write-off compared to recent years, £0.325m repairs underspend from boiler repair works that were capitalised at year end, and £0.315m underspend on debt costs compared to budget from a reduction in borrowing requirements for the 2017/18 HRA capital programme that underspent.

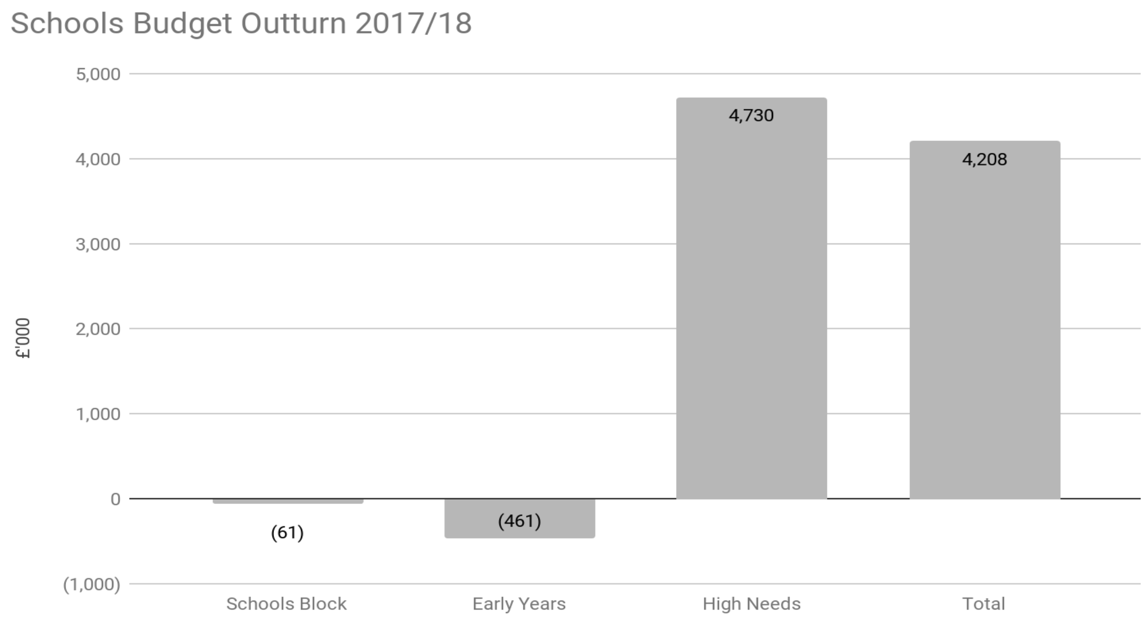
The HRA business plan has been reviewed and updated in order to inform the budget for 2018-19 and medium term plan to 2021-22. This plan under the HRA self-financing system ensures that the HRA has a minimum cash balance of £4m and headroom of £10m below the borrowing limit.

Schools Budget

The Schools Budget is a ring-fenced account within the Council's overall funds. It funds individual schools' delegated budgets and certain defined activities for the direct benefit of pupils or schools, including special educational needs and the co-ordinated schools admission service.

The School Budget is managed on behalf of the Council by Achieving for Children, in conjunction with the RBK Schools Forum. As reported throughout the year, the Schools Budget has been forecasting a significant overspend, driven by the cost of providing support to children with Special Educational Needs and Disabilities (SEND). The final figures for 2017/18 show that Special Educational Needs expenditure exceeded the Dedicated Schools Grant (High Needs block) by £4.7m, with minor underspends in the early years and schools block, bringing the overall overspend for the year to £4.2m. The overall cumulative deficit balance on the DSG is now £10.690m.

The Council has taken steps to manage this situation and has set up a recovery board to address the issues and has also secured agreement from the Department for Education (DfE) for transfers from the schools funding block of £1.3m to the council's high needs budget. This will allow schools to still receive additional funding from their national funding formula allocations equivalent to a 1% funding increase, whilst making a significant contribution to high needs costs. In addition DfE have agreed to make an additional £3m advance of DSG in 2018/19, to support the council's short-term cash position and enable it to set a balanced budget. The extra DSG is subject to conditions including Council submission of an agreed plan of action to bring spending in line, while continuing to deliver its statutory duties and provide appropriate and effective support to children and young people with high needs.



Overspends were directly related to increasing levels of demand / average cost relative to the level of Government funding. The number of Education, Health and Care Plans (EHCPs) increased by 92 from 976 to 1,068 at the end of March 2018.

Capital Programme

Capital expenditure is defined as expenditure on the purchase, construction or enhancement of Council assets such as houses, offices, schools and roads. The Council has a multi-year programme for capital expenditure which sets out the expected investment required in assets to deliver services. A summary of the 2017/18 capital outturn position is shown below.

Programme	Budget 2017-18	Outturn 2017-18	Variance 2017-18	Percentage Spent	Cost Variation	Slippage
	£000s	£000s	£000s	%	£000s	£000s
Schools Building Programme	8,357	6,652	(1,705)	79.6%	0	(1,705)
General Fund Property Programme	3,754	3,033	(721)	80.8%	14	(735)
General Fund Property Acquisitions	57,602	57,375	(227)	99.6%	(227)	0
Regeneration Programme	6,378	6,378	0	100.0%	308	(308)
Environment Programme	5,961	4,880	(1,081)	81.9%	(435)	(646)
Highways Programme	4,800	3,572	(1,228)	74.4%	(252)	(976)
Housing General Fund Programme	22,427	2,818	(19,609)	12.6%	(536)	(19,073)
ICT Programme	3,620	2,257	(1,363)	62.3%	0	(1,363)
Total General Fund	**112,899**	**86,965**	**(25,934)**	**77.0%**	**(1,128)**	**(24,806)**
Housing Revenue Account	21,074	17,536	(3,538)	83.2%	(103)	(3,435)
Grand Total	**133,973**	**104,501**	**(29,472)**	**78.0%**	**(1,231)**	**(28,241)**

The main reason for the underspend in the capital programme has been delays in the delivery of some projects - as demonstrated in the value of the slippage compared to cost variation. The reasons for these delays vary between projects. The most significant underspend and slippage in terms of value was on the housing general fund programme. This related to a difference in timing of when funds were received and budgeted to be spent (2017/18) and when the project this funds can actually be delivered (2018/19 or later). A Corporate Resources Panel has recently been established which will provide greater scrutiny of the capital programme and the allocation of transformation resources more widely which will enable the re-allocation of resources to be addressed more quickly if delays are reported.

A notable item in the capital programme for 2017/18 is spending of £57.375m on investment property purchases, funded from a mixture of internal borrowing and PWLB loans. This includes the Council's investment in Conquest House & King's Place and Kingsmill Business Park in 2017. The properties will not only generate significant net surplus income to the revenue account (after factoring in borrowing costs) but are seen as important strategic assets in Kingston's future development strategy

Council performance highlights

In Adult Services, great progress has been made in the partnership with Health, started in the Kingston Coordinated Care Programme. Integrated Community teams are being rolled out, and the Council is working with colleagues in the NHS to identify patients who are at highest risk of hospital admission, and also to facilitate discharge back home. It has significantly reduced the number of older people who enter residential or nursing care (especially directly from hospital) with an unrelenting commitment to promote and support their independence. Despite the increase in the older population and the pressures on the NHS, spending is being kept within the resources available, and achieving better outcomes. Kingston has been rated as one of the best performing Councils in terms of avoiding "Delayed Transfers of Care" attributable to social care.

Two significant developments in 2017/18 were the admission of Windsor and Maidenhead into the Achieving for Children (AfC) partnership, and Richmond achieving a "good" judgement from Ofsted under the Single Inspection Framework. AfC was successful in its Partners in Practice bid, which means that it is recognised by Government as a service that can support others because of its excellent services.

Kingston, Merton and Sutton councils have teamed up to secure £1m in government funding to help households avoid crisis and prevent people from becoming homeless. This includes the development of peer support, new ways of working, developing more accessible support in the community, and the development of online tools which will help people identify the support they need. In a separate bid worth a further £400,000, the housing association SPEAR will work with rough sleepers in Kingston, Wandsworth and Richmond to help improve access to accommodation and other services.

In exploring new ways to fund and deliver services the Council is a key stakeholder in Creative Kingston, a Community Interest Company drawn from cultural stakeholders from across borough. Creative Kingston works to raise the cultural profile of the borough and to draw in external funding to support programming of activities.

As part of digital investment and automation of services, Library services benefitted from a £0.5m transformation which has seen the installation of self-service machines across all Kingston libraries. The introduction of self-service machines offers more opportunities to carry out transactions online, reduces staffing costs and also frees up staff to support customers, providing information and assistance. Kingston Libraries work in partnership with Jobcentre Plus providing Skills and Back to Work groups at 2 of the borough's libraries, supported by volunteers. Tudor Drive library has also been extended with the new space having been funded and constructed by Berkeley Homes as part of the development of the nearby Richmond Chase site.

A heritage Lottery bid is being prepared in conjunction with All Saints Church that will bring investment into the borough and secure Kingston's heritage at the centre of the town.

In exploring new ways to fund and run services the Council renegotiated its Leisure management contract releasing £2.2 m savings over the lifetime of the contract. At the same time securing investment across all Leisure sites by Places for People. Investment included a health spa at Kingfisher and improvements to the athletics track at Kingsmeadow home to the Weir Archer Academy and Paralympic training ground.

Planning permission has been granted for the redevelopment of Eden Walk shopping centre to provide 360 new residential accommodation units in addition to high quality retail, office and leisure floor space creating approximately 600 jobs for local people. The scheme will enhance the town centre offer and help to maintain Kingston's premier status as a Metropolitan Centre.

At a time when it is important that the Council maintains its financial standing, revenue collection performance remained strong for both council tax and business rates. Data sourced from the end of year QRC4 return (Quarterly return of council taxes and business rates) to the Government shows collection rates of 99.01% for council tax and 98.36% for business rates.

The Statement of Accounts 2017/18

The Statement of Accounts (SoA) provides a picture of the Council's health as at the 31 March 2018, bringing together the financial performance of the Council for 2017/18 through the Comprehensive Income and Expenditure Statement (CIES) as well as highlighting the cumulative position of the assets, liabilities and reserves the Council holds on its Balance Sheet.

Explanation of Accounting Statements

The statement of accounts sets out the Council's income and expenditure for the year and its financial position as at the 31 March 2018. It comprises core and supplementary statements as well as disclosure notes that provide additional information and explanation to the reader. Both the format and content of the financial statements are prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which in turn is underpinned by International Financial Reporting Standards.

The core statements are listed below and are explained on the relevant page:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Supplementary Financial Statements:
  - Collection Fund Account
  - Housing Revenue Account
  - Pension Fund Accounts
  - Group Accounts
- Notes to the Accounts

Sarah Ireland

Sarah Ireland, CPFA
Director, Corporate and Commercial
31 July 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The statutory Chief Finance Officer is the Director, Corporate and Commercial.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of the Director, Corporate and Commercial (S151 Officer)

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the S151 Officer has:
- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- Complied with the Local Authority Code.

The S151 Officer has also:

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

CERTIFICATE OF THE S151 OFFICER

I certify that the Accounts present a true and fair view of the financial position of the Royal Borough of Kingston upon Thames as at 31 March 2018 and its income and expenditure for the year then ended.

Sarah Ireland

Sarah Ireland, CPFA
Director, Corporate & Commercial (S151 Officer)
31 July 2018

Authorised by Audit, Governance and Standards Committee:

Yogan Yoganathan

Councillor Yogan Yoganathan
Chair of Audit, Governance and Standards Committee
31 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Royal Borough of Kingston upon Thames (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cashflow Statement and notes to the 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; 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 group and 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.

Who we are reporting to
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.

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

- the Director, Corporate and Commercial (S151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director, Corporate and Commercial (S151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Director, Corporate and Commercial (S151 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 group and Authority financial statements and our auditor's report thereon. 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 group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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)' 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Director, Corporate and Commercial (S151 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 Director, Corporate and Commercial (S151 Officer). The Director, Corporate and Commercial (S151 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 2017/18, which give a true and fair view, and for such internal control as the Director, Corporate and Commercial (S151 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 Director, Corporate and Commercial (S151 Officer) is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit, Governance and Standards Committee is Those Charged with Governance.

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 November 2017, 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 2018.

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 November 2017, 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 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to 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 for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do 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 2018.

Iain Murray

Iain Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2A 1AG

31 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KINGSTON UPON THAMES, OPINION ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have audited the pension fund financial statements of Royal Borough of Kingston upon Thames (the 'Authority') for the year ended 31 March 2018 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 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; 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 pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund 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.

Who we are reporting to

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.

Conclusions relating to going concern

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

- the Director of Corporate & Commercial (S151 Officer) use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Corporate & Commercial (S151 Officer) has not disclosed in the pension fund 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 pension fund financial statements are authorised for issue.

Other information

The Director of Corporate & Commercial (S151 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 financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund 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 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 financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work 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 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 financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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 Director of Corporate & Commercial (S151 Officer). The Director of

Corporate & Commercial (S151 Officer)is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Corporate & Commercial (S151 Officer) determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Corporate & Commercial (S151 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 the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit, Governance and Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund 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 pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund 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.

Iain Murray

Iain Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

31 July 2018

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

BALANCE SHEET

CASH FLOW STATEMENT

MOVEMENT IN RESERVES STATEMENT

2017/18	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total reserves of the authority
		23	*9*	*23*	*HRA3*	*23*	*23*		*24*	
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance as at the beginning of reporting period		**(8,018)**	**(25,862)**	**(5,417)**	**0**	**(10,410)**	**(4,909)**	**(54,617)**	**(362,133)**	**(416,750)**
(Surplus) or deficit on the provision of services (accounting basis)	CIES	12,429		(15,980)				(3,551)		(3,551)
Other comprehensive income and expenditure									(15,913)	(15,913)
Total comprehensive income and expenditure		12,429		(15,980)	0	0	0	(3,551)	(15,913)	(19,465)
Adjustments between accounting basis and funding basis under regulations	8	(7,623)	0	15,213	0	(7,467)	78	201	(201)	(0)
Net (increase) or decrease before transfers to earmarked reserves		4,807		(767)	0	(7,467)	78	(3,350)	(16,115)	(19,465)
Transfers to/from earmarked reserves	9	(8,408)	8,408					0	(0)	(0)
(Increase) or decrease in year		(3,601)	8,408	(767)	0	(7,467)	78	(3,350)	(16,115)	(19,466)
Balance as at the end of the current reporting period		**(11,619)**	**(17,454)**	**(6,184)**	**0**	**(17,878)**	**(4,831)**	**(57,966)**	**(378,249)**	**(436,215)**

MOVEMENT IN RESERVES STATEMENT

2016/17	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total reserves of the authority
		23	*9*	*23*	*HRA3*	*23*	*23*		*24*	
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance as at the beginning of reporting period		**(8,018)**	**(33,165)**	**(4,267)**	0	**(6,785)**	**(2,966)**	**(55,200)**	**(407,827)**	**(463,027)**
(Surplus) or deficit on the provision of services (accounting basis)	CIES	30,588	0	(19,427)	0	0	0	11,161	0	11,161
Other comprehensive income and expenditure		0	0	0	0	0	0	0	35,116	35,116
Total comprehensive income and expenditure		30,588	0	(19,427)	0	0	0	11,161	35,116	46,277
Net increase or decrease before transfers (group accounts only)		30,588	0	(19,427)	0	0	0	11,161	35,116	46,277
Adjustments between accounting basis and funding basis under regulations	8	(23,289)	0	18,277	0	(3,625)	(1,940)	(10,577)	10,577	0
Net (increase) or decrease before transfers to earmarked reserves		7,299	0	(1,150)	0	(3,625)	(1,940)	584	45,693	46,277
Transfers to/from earmarked reserves	9	(7,299)	7,303	0	0	0	(4)	0	0	0
(Increase) or decrease in year		0	7,303	(1,150)	0	(3,625)	(1,944)	584	45,693	46,277
Balance as at the end of the current reporting period		**(8,018)**	**(25,862)**	**(5,417)**	0	**(10,410)**	**(4,909)**	**(54,617)**	**(362,133)**	**(416,750)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Gross Expenditure 2016/17	Gross Income 2016/17	Net Expenditure 2016/17		Notes	Gross Expenditure 2017/18	Gross Income 2017/18	Net Expenditure 2017/18
£'000	*£'000*	*£'000*			*£'000*	*£'000*	*£'000*
83,374	(24,555)	58,819	Adult social care and Health		81,482	(26,140)	55,342
70,003	(24,055)	45,948	Learning and Children's Services		71,090	(25,968)	45,122
59,521	(52,665)	6,856	Learning and Children's Services (schools)		62,978	(57,479)	5,499
78,866	(47,092)	31,774	Place		76,121	(45,639)	30,482
63,287	(52,763)	10,524	One Council Services		67,447	(53,869)	13,578
322	(143)	179	Neighbourhoods		204	(141)	63
2,296	(451)	1,845	Our Kingston Services		1,908	(14)	1,894
70,884	(77,197)	(6,313)	Other Corporate Services		76,450	(78,171)	(1,721)
6,877	(27,622)	(20,744)	Housing Revenue Account		10,725	(28,389)	(17,664)
435,429	(306,542)	128,887	**Cost of services**		448,404	(315,809)	132,594
				Notes			
		15,080	Other operating expenditure	*10*			(5,990)
		10,684	Financing and investment income and expenditure	*11*			10,515
		(143,490)	Taxation and non-specific grant income	*12*			(140,671)
		11,161	**(Surplus) or deficit on the provision of services**				(3,551)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
	6,675		Surplus or deficit on revaluation of non-current assets	*24*		(435)	
	28,446	35,121	Remeasurement of net defined benefit liability (asset)	*24*		(15,654)	(16,089)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
	(5)	(5)	Surplus or deficit on revaluation of available-for-sale financial assets	*24*		176	176
		35,116	Other Comprehensive Income and Expenditure				(15,913)
		46,277	**Comprehensive income and expenditure**				(19,465)

BALANCE SHEET

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

31 Mar 2017			31 Mar 2018
£'000		*Notes*	*£'000*
	Long term assets		
819,631	Property, plant and equipment	*13*	828,104
1,209	Heritage assets		1,209
23,433	Investment property	*14*	84,530
4,723	Intangible assets	*15*	5,139
425	Long term investments		5,229
7,555	Long term debtors	*16*	7,570
856,977	***Total long term assets***		**931,781**
	Current assets		
5,000	Asset held for sale	*20*	5,908
18,353	Short term investments		9,803
47	Inventories		46
43,914	Short term debtors	*18*	43,081
11,976	Cash and cash equivalents	*19*	21,164
79,290	***Total current assets***		**80,001**
	Current liabilities		
(6,005)	Short term borrowing	*16*	(5,774)
(49,928)	Short term creditors	*21*	(54,530)
(3,211)	Short term provisions	*22*	(2,633)
(1,634)	Grants receipts in advance		(3,537)
(60,778)	***Total current liabilities***		**(66,474)**
	Long term liabilities		
(63)	Long term creditors		(6)
(234,078)	Long term borrowing	*16*	(289,308)
(223,301)	Other long term liabilities	*38*	(218,500)
(1,296)	Long term provisions	*22*	(1,279)
(458,738)	***Total long term liabilities***		**(509,093)**
416,750	**Net Assets**		**436,215**
	Reserves		
(54,616)	Usable reserves	*23*	(57,966)
(362,133)	Unusable reserves	*24*	(378,249)
(416,750)	**Total Reserves**		**(436,215)**

CASH FLOW STATEMENT

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

2016/17 £'000		Notes	2017/18 £'000
11,161	Net (surplus) or deficit on the Provision of services		(3,551)
(49,284)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	25	(44,418)
13,077	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	25	27,739
(25,045)	Net cash flows from operating activities		(20,230)
14,760	Investing activities	26	5,034
2,016	Financing activities	27	6,008
(8,269)	Net movements in year excluding non-cash items		(9,188)
3,707	Cash and cash equivalents at the beginning of the reporting period		11,976
8,269	Net increase or (decrease) in cash and cash equivalents		9,188
11,976	Cash and cash equivalents at the end of the reporting period		21,164

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

Income

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

Expenditure

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Notwithstanding this accrual principle, some items are recorded as received/paid on the basis that there is no material distortion of the 'true and fair view' concept. These items include weekly housing rents recorded as due on Mondays (52 weeks in most years), Benefits (rent rebates and rent allowances) recorded in accordance with weekly entitlement (also Mondays) and Parking income received through Penalty Charge Notices (PCN). Although this is a departure from the Code, it is more practical and does not cause any misunderstanding of the accounts.

Debtors/Creditors

- 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.

Accounting for Council Tax

While Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR)

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year. Regulations determine when it should be released from the Collection Fund and paid out to major preceptors and government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

iii. 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 highly liquid investments that mature in, no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This includes Call Accounts, Money Market Funds and Instant Access Accounts that are held to meet short-term cash flow requirements. It does not include fixed term deposits as they are not readily convertible to cash and, in certain market conditions, there could be a 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.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority'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.

v. Charges to Revenue for Non-Current Assets and Minimum Revenue Provision

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

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off, and
- amortisation of intangible fixed 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 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 in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled wholly 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 (e.g. cars) 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 entitlements 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. It can also be as a result of an officer's decision to accept voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment in the Comprehensive Income and Expenditure Statement. This is done at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority, or for related parties.
However, the arrangements for the teachers' and NHS scheme mean 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 Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Pension Fund attributable to the 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, using a discount rate of 2.6% (2.5% in 16/17) which has been based on the market yield on high quality corporate bonds and gilts.
- The assets of the Pension Fund attributable to the Authority are included in the Balance Sheet at their Fair Value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pension's liability is analysed into the following components:
  Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability (asset), which represents the net interest expense for the authority that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the RBK pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the 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.

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at Fair Value and are carried at their amortised cost. The fair value of the loans are valued at carrying value because it is not possible to derive a fair market value for the types of loan currently held by the Authority. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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

Financial assets are classified into two types:

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

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold hence there is no market valuation.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at Fair Value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at Fair Value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value.

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Adjustment Account. Amounts in Capital Grants Unapplied reserves are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement District Schemes
A Business Improvement District (BID) scheme applies in Kingston town centre and is known as Kingston First. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy
The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

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

x. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, yielding a benefit of more than one year, which are controlled by the Authority as a result of past events (e.g. software licences). These are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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.

xi. Interests in Companies and Other Entities

Achieving for Children (AfC) commenced trading on 1 April 2014, as a joint venture established as a Community Interest Company (CIC). The CIC was jointly owned and controlled by Royal Borough of Kingston (50%) and London Borough of Richmond (50%) being a Private Limited Company limited by guarantee without share capital. Kingston and Richmond were two equal members. This gave both members of the company shared control or joint control with significant decision making requiring the unanimous consent of both parties. During 2017/18 an agreement was reached between the members to allow the introduction of The Royal Borough of Windsor & Maidenhead. The revised share of capital is 40% for The Royal Borough of Kingston and 40% for The London Borough of Richmond. The Royal Borough of Windsor & Maidenhead holds a 20% stake.

The Authority has a subsidiary in the form of Kingston Theatre LLP. The interest in the company is not material and therefore it is not incorporated into Group Accounts in the Statement of Accounts as its inclusion would not provide any further benefit to the reader of the accounts.

In the Authority's own single-entity accounts, the interest in Kingston Theatre LLP is recorded as an investment.

xii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at Fair Value, based on the amount that would be received to sell the asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiii. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of these joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly

- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

xiv. Leases

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

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

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

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its Fair Value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
Lease payments are apportioned between:

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

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

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

The Authority as Lessor

Finance Leases
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 in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the 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.

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

xv. Overheads and Support Services

The costs of overheads and support services are charged to those segments in accordance with the council's arrangements for accountability and financial performance. The Authority presents the service analysis on the basis of the organisational structure (including where relevant, corporate support charges) under which the council operate.

xvi. 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, the cost of the item can be measured reliably and the expenditure is directly attributable to bringing the asset into use. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial 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 an asset 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 and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, 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)
- 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 – the current value measurement base is Fair Value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 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 sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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) in the Comprehensive Income and Expenditure Statement.

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.

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

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

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

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Housing Revenue Account dwellings are depreciated based on componentisation of blocks of similar properties (using beacon principles).
- other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer.

- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 20 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.

Heritage Assets
Heritage assets are assets held or maintained principally for their contribution to knowledge and culture. Where the Council identifies such assets and cost or value information is available, these assets will be included in the Council balance sheet. Where information on the value or cost of an identified heritage asset is not available and the cost of obtaining a valuation is not commensurate with the benefits to the users of the financial statements, then this asset will not be recognised in the balance sheet. Where a heritage asset is used for operational purposes, this asset will be classed as an operational asset and will be subject to the same accounting policies as any other operational asset. Heritage assets will be subject to a minimum 5 year valuation review. They are not subject to depreciation but can be impaired if a fall in value has occurred.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

A proportion of housing receipts relating to ‘Right to Buy’ disposals is payable to the Government, net of statutory deductions, allowances and optional retention of one for one additional receipts. Any housing non-Right to buy or non-dwelling disposals are exempt from proportional payments to the Government as long as their use complies with statutory legislation.

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 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.

Contingent Assets
Contingent assets arise where an event has taken place in the past that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events where it is probable that there will be an inflow of economic benefits or service potential. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts

xviii. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits do not represent usable resources for the Authority. These reserves are explained in Note 24.

xix. Revenue Expenditure Funded from Capital under Statute

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

xx. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority's maintained schools (i.e. those categories of schools identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. Similarly, income and expense is only recognised up to the date that the Schools converts to Academy status.

xxi. Value Added Tax (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.

xxii. Council Tax

As a billing authority, the Royal Borough of Kingston upon Thames maintains a Collection Fund to account for Council Tax and business rates and their dispersal.

Council Tax Income included in the Comprehensive Income and Expenditure Statement for the year will be the accrued income for that year. Each major preceptor's share of the accrued Council Tax income is available from the Collection Fund Statement

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Tax payers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year, the billing authority will recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor will recognise a credit adjustment for the same amount to the debtor/creditor position between then brought forward from the previous year.

The Cash Flow statement includes within operating activities only the Council's own share of council tax net cash collected from council tax debtors in the year. The difference between the GLA's share of the net cash collected from council tax debtors and net cash paid to the GLA as precept and settlement of the previous year's surplus or deficit on the Collection Fund is included within financing activities in the Cash Flow Statement.

xxiii. National Non-Domestic Rates (NDR)

The Cash Collected by the authority from NDR payers belongs proportionately to the billing authority, central government and all major preceptors. There will be a debtor or creditor position between the billing authority, central government and each major preceptor for the differences between the amounts collected and payments made.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment account via the movement in reserves statement.

For accounting purposes any surplus or deficit on the fund is represented by a debtor or creditor at year end although any surplus or deficit will be distributed to or recovered from the authorities in the subsequent financial year.

The Council also collects the Business Rates Supplement (BRS) which is set by the GLA at 2p in the £ for properties with a rateable value of £70k or more, this amount is payable to the GLA.

xxiv. Borrowing costs

The Authority does not capitalise borrowing costs but rather expenses borrowing costs during the year. Borrowing costs expensed are shown in Interest Payable.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

Paragraph 3.3.2.13 of the 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers (including amendments)
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (including amendments)
- IAS 7 Statement of Cash Flows: Disclosure Initiative.

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code are listed below:

- IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration Page 3 were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore they have been rolled forward into the development programme for the 2019/20

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There remains a high degree of uncertainty about the sustainability of current funding for local government activity. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Group Accounts have been included in the 2017/18 Statement of Accounts recognising the Council's significant interest in Achieving for Children (AfC) CIC which it jointly owns with the London Borough of Richmond Upon Thames and The Royal Borough of Windsor and Maidenhead. From the Council's perspective, AfC is considered to be a Joint Venture which is consolidated into the Council's Group Accounts using the equity method. The judgement in defining AfC as a Joint Venture is reached due AfC being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two founding Councils have rights to the net assets of the arrangement. This remains the case in 2017/18

  As with previous years the Council has not consolidated into Group Accounts its interest in Kingston Theatre LLP on the grounds that they do not have a material effect on the overall financial statements and therefore their inclusion would not provide any further benefit to the users of the Statement of Accounts.

  Investment properties have been assessed using the identifiable criteria under the international accounting standards as being held for rental income or for capital appreciation. The Council's shareholding in Kingston Theatre LLP is recognised as an investment within the accounts and measured at Fair Value. The Council's share of any profits or losses made by the LLP has been recognised through the Council's Comprehensive Income and Expenditure Statement.

  The South London Waste Partnership (SLWP), is a joint operation with three other boroughs and is not included for consideration in being part of the Group Accounts. It is merely a cost sharing arrangement where there is no intention to make profit. The entity does not trade but instead collects cost from the waste activities for the four boroughs which are paid for, proportionately, by the four boroughs, similar to a levying arrangement. The proportionate cost of the entity is shown in the Council's single entity accounts. The SLWP also does not have any Long Term Assets on its Balance Sheet.

- Accruals Materiality. As per the Code, these accounts have been prepared under the accounting concept of materiality. Specifically the Authority has stipulated a de minimus level for accruals set at £20k for revenue and capital accruals. There is a caveat where not making an accrual below the de minimus threshold would have a material effect to the service e.g. schools.

- In line with emerging generally accepted practice, the Council has recognised Community, Voluntary Controlled and Foundation Schools on the Council's balance sheet. Individual assessments are made on a case by case basis for Voluntary Aided Schools and in practice this has led to the recognition of 4 such schools, whilst Free and Academy Schools remain excluded from the balance sheet.

- Determining factors in classifying finance and operating leases. In the accounting framework, leases held by the Council are assessed against five tests which help determine if an operating or finance lease accounting treatment is appropriate. The two most prominent tests are the comparison between the value of a lease asset against its discounted payments and comparing the economic life of a lease asset against its lease term. In both cases where the outcomes of the test gives a 60%+ result this would indicated that a finance lease treatment would be appropriate if no other mitigating factors are present.

- Where required notes to the accounts are not applicable to the Council these have not been included in the accounts.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Assumptions in the calculation of depreciation**

Depreciation has been calculated on a componentised basis where a valuation has been carried out on a property. Where a valuation has not been carried out, depreciation has been calculated on the building value of the property (land is generally not depreciated) spread across its remaining useful life. Judgements on the value of buildings, land, components and remaining useful lives are provided to the Council via external valuations carried out by Montagu Evans.

As assets are depreciated over useful lives, they are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Due to reductions in Local Authority funding, the Authority may not be able to continue its level of expenditure on repairs and maintenance which in turn may reduce the useful lives of the assets. If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls.

- **Assumptions on Business Rates Appeals**

Local Authorities are liable for successful appeals against business rates charged to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018. The Council's share of the balance of business rate appeals provisions at this date amounted to £0.498m. This has reduced by £1.297m from the previous year because the new 2017 rating list has been created and no more appeals are allowed on the old rating list (2010) so outstanding appeals continue to reduce.

- **Assumptions about future events affecting provisions**

The Authority is satisfied that there are no other provisions is to be included and that the amounts provided for do not have the potential to differ materially from those estimated. The insurance provision is calculated based on an independent actuarial valuation.

Amounts that are due to arise in less than one year are shown in Current Liabilities whilst all other amounts are shown in Long Term Liabilities on the Balance Sheet

- **Principal actuarial assumptions used at the Balance Sheet date in respect of defined benefit pension plans**

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. The actuarial assumptions largely depend on a number of complex judgements relating to discount rates; rate of salary increases; pension increase rates and investment strategies.

The Council has engaged Hymans Roberts LLP as its actuary to provide expert advice about assumptions applied.

For 2017/18 the Actuary advised that the net pension liability has increased by £4.80m, primarily due to a reduction in the discount rate applied when valuing the Pension Fund's future liabilities.

Assumptions are detailed in note 37. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change assumptions at 31 March 2018	Approx % increase to employer liability	Approx monetary increase
	%	*£000*
0.5% decrease in real discount rate	9%	61,206
0.5% increase in the salary increase rate	1%	5,577
0.5% increase in the pension increase rate	8%	55,031

- **Assessment of the recoverable amounts of arrears and other debtors**

The main debts that are provided for through provisions for bad and doubtful debts relate to Council Tax Collection and Housing Rent and service and leaseholder charges collection. These debtors have specific provisions which are calculated on past experience of collection rates and current economic conditions, and debt recovery performance. Provisions are also made for bad debts relating to sundry debtors which make up a smaller proportion of the

Authority's debts. However the economic climate and the effect of changes in welfare benefits could give rise to greater level on non-payment of the Council's charges. To mitigate the risk of increasing non-payment a review is undertaken and where applicable additional reserves would be set aside to protect the council against this risk.

Government grant debtors, debtors due to timing differences over the year end (e.g. cash received early in the New Year) and debt secured against property are generally not provided for unless there are specific circumstances that would deem it prudent.

- **Fair Value of property, plant and equipment not based on recently observed market prices.**

When fair values of assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair values are measured using other valuation techniques for example similar assets or liabilities in active markets. Where possible these valuations techniques are based on observable data. Where this is not possible a judgement will be required in establishing fair values. All judgements include considerations such as uncertainty and risk. However material change in assumptions used could affect the fair value of the authority's assets and liabilities, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

Valuations
In 2017/18 Council properties were re-valued if they met one of the following criteria:

- property valued at more than 1% of the total value of other land and buildings
- property with a carrying value above £1.5m and has not been valued within the past 3 years
- any properties that have reached the maximum interval between valuations of 5 years.
- all Investment Properties above a de minimus value
- any property classed as a Council Dwelling

Using the above criterion the Council revalued the following number of properties within the asset classes used in note 12 to the accounts:

Asset Class	No. Of Properties	Percentage of asset class revalued based on value
Other Land and Building	44	82%
Investment Properties	All	100%
Council Dwellings	All	100%

Both General Fund and HRA properties were valued at 31 March 2018, under the instruction of the Council's Assets service.

Freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. Details of the valuation bases are shown below:

HRA property
The valuation of Housing Revenue Account stock is in accordance with the Department for Communities and Local Government (DCLG) guidance – *Stock Valuation for Resource Accounting Guidance for Valuer- 2016*. The basis of valuation for operational property is

Current Value (taken to be market value for existing use) for non-housing property and Current Value for Social Housing. Current value for Social Housing is taken to be 25% of the market value for existing use.

Asset Lives
Assets are depreciated based on estimated assets lives. The estimations are based the current condition of the assets and it is reviewed as part of the valuation process, where appropriate.

Infrastructure Assets, Community Assets and Assets under Construction (excluding Investment Property)
These items are valued at historic cost in accordance with the Code.

All other Property, Plant and Equipment
These items are valued at Current Value. This is interpreted as the amount that would be paid for the asset in its existing use (UKPS 1.3 of the RICS Valuation Standards).

Where there is no market-based evidence to support a valuation because of the specialist nature of the asset and/or an asset of this type is rarely sold, Current Value is the Depreciated Replacement Cost (DRC).

- **Valuation of financial assets and liabilities**
  Details and further disclosure concerning this item can be seen in Note 1 viii) and Note 15.
- **Assumptions made about significant interests in other companies**
  The Council's accounts consider the companies, in which it has a significant interest, Achieving for Children CIC and Kingston Theatre LLP, to be a going concern.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement they are revealed in this note.

Pensions Liability – the Council's actuary has calculated, in accordance with IAS19, that Pension Fund Assets, in 2017/18, have increased in value by £9.5m and pensions' liabilities, in the same period, have decreased by £4.8m. The Pension reserve closing position now stands at £218.5m.

6. EVENTS AFTER THE BALANCE SHEET

There were no post balance sheet events requiring an adjustment to the Statement of Accounts or no non adjusting events after the 31 March 2018.

7. EXPENDITURE AND FUNDING ANALYSIS

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement (CIES) in accordance with the CIPFA Code of Local Authority Accounting in the United Kingdom. The 2017/18 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This represents a re-analysis of the Cost of Services presented in the CIES, however, there is no change to the total Cost of Services.

	As Reported for Financing Contracts Committee	Adjustment to to arrive at net amount charged to GF and HRA	Net Expenditure Chargeable to *the General Fund and HRA Balances*	Adjustments between the Funding and *Accounting Basis*	Net Expenditure in the Comprehensive *Income and Expenditure Statements*
	2017/18	2017/18	2017/18	2017/18	2017/18
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Adult social care and Health	55,700	0	55,700	(358)	55,342
Learning and Children's Services (incl schools)	34,073	0	34,073	16,547	50,621
Place	41,000	0	41,000	(10,518)	30,482
One Council Services	5,083	0	5,083	8,495	13,578
Neighbourhoods	75	0	75	(12)	63
Our Kingston Services	2,143	0	2,143	(249)	1,894
Other Corporate Services and Recharges	(9,992)	(5,312)	(15,305)	13,584	(1,721)
HRA	(767)	(4,764)	(5,531)	(12,133)	(17,664)
Net cost of services	127,315	(10,076)	117,238	15,356	132,594
Other Operating Expenditure	0	562	562	(6,552)	(5,990)
Financing and investment income	0	9,514	9,514	1,001	10,515
Taxation and non - specific grants	(131,683)	0	(131,683)	(8,988)	(140,671)
(Surplus) or Deficit on provision of services	(4,368)	0	(4,368)	817	(3,551)
Opening General Fund and HRA Balances			(13,435)		
Add surplus/ deficit on GF & HRA Balance in year			(4,368)		
Closing General Fund and HRA Balances			**(17,803)**		

	As Reported for Treasury Committee	Adjustment to to arrive at net amount charged to GF and HRA	Net Expenditure Chargeable to *the General Fund and HRA Balances*	Adjustments between the Funding and *Accounting Basis*	Net Expenditure in the Comprehensive *Income and Expenditure Statements*
	2016/17	2016/17	2016/17	2016/17	2016/17
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Adult social care and Health	58,504	0	58,504	315	58,819
Learning and Children's Services	37,030	0	37,030	15,775	52,805
Place	33,878	(3,805)	30,073	1,700	31,774
One Council Services	5,514	4,012	5,514	5,010	10,524
Neighbourhoods	221	0	221	(42)	179
Our Kingston Services	2,184	0	2,184	(339)	1,845
Other Corporate Services and Recharges	(8,347)	(3,638)	(7,973)	1,659	(6,313)
HRA	0	(5,668)	(5,668)	(15,076)	(20,744)
Net cost of services	128,985	(9,099)	119,886	9,001	128,887
Other Operating Expenditure	0	571	571	14,509	15,080
Financing and investment income	0	4,732	4,732	5,953	10,684
Taxation and non - specific grants	(126,339)	0	(126,339)	(17,151)	(143,490)
(Surplus) or Deficit on provision of services	2,646	(3,796)	(1,150)	12,312	11,161
Opening General Fund and HRA Balances			(12,285)		
Add surplus/ deficit on GF & HRA Balance in year			(1,150)		
Closing General Fund and HRA Balances			**(13,435)**		

7A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts.

	Levy and Reserve Adjustments	Adjustments other	Adjustment to to arrive at net amount charged to GF and HRA	Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Difference Expenditure Statements	Total Adjustment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2017/18			2017/18			
Adult social care and Health	0	0	0	(709)	1,008	(657)	(358)
Learning and Children's Services	0	0	0	11,531	1,174	3,842	16,547
Place	0	0	0	(575)	1,792	(11,735)	(10,518)
One Council Services	0	0	0	195	2,018	6,282	8,495
Neighbourhoods	0	0	0	0	0	(12)	(12)
Our Kingston Services	0	0	0	0	25	(274)	(249)
Other Corporate Services and Recharges	(562)	(4,750)	(5,312)	5,315	(1,239)	9,507	13,583
HRA	0	(4,764)	(4,764)	(12,133)	442	(442)	(12,133)
Net cost of services	**(562)**	**(9,514)**	**(10,076)**	**3,623**	**5,222**	**6,510**	**15,356**
Other Operating Expenditure	562	0	562	(6,552)	0	0	(6,552)
Financing and investment income	0	9,514	9,514	(4,630)	5,631	0	1,001
Taxation and non - specific grants	0	0	0	(9,302)	0	315	(8,987)
Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit	**0**	**0**	**0**	**(16,861)**	**10,853**	**6,825**	**817**

	Levy and Reserve Adjustments	Adjustments other	Adjustment to to arrive at net amount charged to GF and HRA	Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Difference Expenditure Statements	Total Adjustment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2016/17			2016/17			
Adult social care and Health	0	0	0	95	186	33	315
Learning and Children's Services	0	0	0	10,475	-1,920	7,220	15,775
Place	(3,805)	0	(3,805)	374	333	993	1,700
One Council Services	0	4,012	4,012	239	569	4,202	5,010
Neighbourhoods	0	0	0	0	3	(45)	(42)
Our Kingston Services	0	0	0	0	10	(349)	(339)
Other Corporate Services and Recharges	588	(4,226)	(3,638)	776	(6,196)	7,080	1,659
HRA	0	(5,668)	(5,668)	(14,180)	88	(983)	(15,076)
Net cost of services	(3,217)	(5,882)	(9,099)	(2,221)	(6,927)	18,150	9,002
Other Operating Expenditure	571	0	571	14,509	0	0	14,509
Financing and investment income	0	4,732	4,732	(632)	6,585	0	5,953
Taxation and non - specific grants	0	0	0	(16,432)	0	(719)	(17,151)
Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit	(2,646)	(1,150)	(3,796)	(4,776)	(342)	17,431	12,312

7B. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2016/17 £'000		2017/18 £'000
	Expenditure	
115,375	Employee benefits expenses	122,662
293,520	Other service expenses	302,666
24,216	Depreciation, amortisation and impairment	19,328
13,813	Gain or Loss on disposal of non-current assets	(7,242)
9,955	Interest payments	10,796
571	Precept and Levies	562
4,364	Support service recharges	4,151
461,814	**Total Expenditure**	**452,924**
	Income	
(149,864)	Fees and charges and other service income	(154,878)
(106,280)	Income from Council Tax and Business Rates	(112,972)
(186,980)	Government grants and contributions	(183,677)
(5,748)	Support service recharges	(4,080)
(1,781)	Interest and investment income	(868)
(450,653)	**Total Income**	**(456,475)**
11,161	**(Surplus) or Deficit on Provision of Services**	**(3,551)**

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note reconciles 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.

2017/18	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable £000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure						
Depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non current assets						
Charges for depreciation	(17,014)	(8,930)	0	0	0	25,944
Revaluation losses on Property Plant & Equipment	(13,435)	11,935	0	0	0	1,500
Amortisation of Intangible Assets	(1,451)	(99)	0	0	0	1,550
Movements in the fair value of investment properties	3,815	159	0	0	0	(3,974)
Capital Grants, contributions and income in relation to donated assets credited to the Comprehensive Income & Expenditure Statement						
Capital Grants and contributions applied	13,003	0	0	0	0	(13,003)
Revenue expenditure funded from capital under statute	(2,053)	(50)	0	0	0	2,103
Impairment Losses	(21)	0	0	0	0	21
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,000)	(1,920)	0	0	0	6,920
Total within the Comprehensive Income & Expenditure Statement debited or credited to the Capital Adjustment Account	(22,157)	1,095	0	0	0	21,061
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory provision for repayment of debt	5,902	0	0	0	0	(5,902)
Any voluntary provision for repayment of debt	9	51	0	0	0	(60)
Capital expenditure charged against the General Fund and HRA balances	1,466	1,004	0	0	0	(2,470)
Total debited to the General Fund Balance and credited to the Capital Adjustment Account	7,377	1,054	0	0	0	(8,431)
Sub Total for Capital Adjustment Account	**(14,780)**	**2,150**	**0**	**0**	**0**	**12,630**
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,182	0	0	0	(1,182)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,260	(1,260)
Sub Total for Capital Grants Unapplied Account	**1,182**	**0**	**0**	**0**	**78**	**(1,260)**

2017/18	**General Fund Balance £000s**	**Housing Revenue Account Balance £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied Account £000s**	**Movement in Unusable Reserves £000s**
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on the disposal to the Comprehensive Income and Expenditure Statement	9,737	5,000	(14,736)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,124	0	0	(6,124)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(389)	(66)	455	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(690)	0	690	0	0	0
Sub Total for Capital Receipts Reserve	**8,658**	**4,934**	**(7,467)**	**0**	**0**	**(6,124)**
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(46)	0	0	0	0	46
Sub Total for the Deferred Capital Receipts Reserve	**(46)**	**0**	**0**	**0**	**0**	**46**
Adjustments primarily involving the Major Repairs Reserve						
Contribution to Major Repairs Reserve	0	8,930	0	(8,930)	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,930	0	(8,930)
Sub Total for Major Repairs Reserve	**0**	**8,930**	**0**	**0**	**0**	**(8,930)**
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory	3,545	(8)	0	0	0	(3,538)
Sub Total for Financial Instruments Adjustment Account	**3,545**	**(8)**	**0**	**0**	**0**	**(3,538)**
Adjustments primarily involving the Pensions Reserve						
Amounts by which Pensions costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 37)	(22,165)	(1,617)	0	0	0	23,782
Employers Pensions contributions and direct payments to pensioners payable in the year	12,139	790	0	0	0	(12,929)
Sub Total for Pensions Reserve	**(10,025)**	**(827)**	**0**	**0**	**0**	**10,853**

2017/18	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	2,304	0	0	0	0	(2,304)
Sub Total for Collection Fund Adjustment Account	**2,304**	**0**	**0**	**0**	**0**	**(2,304)**
Adjustments primarily involving the Accumulated Absences Account						
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	1,539	34	0	0	0	(1,573)
Sub Total for Accumulated Absences Account	**1,539**	**34**	**0**	**0**	**0**	**(1,573)**
Total Adjustments	**(7,623)**	**15,213**	**(7,467)**	**0**	**78**	**(201)**

2016/17	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non current assets						
Charges for depreciation	(18,781)	(8,514)	0	0	0	27,295
Revaluation losses on Property Plant & Equipment	(7,817)	14,230	0	0	0	(6,414)
Amortisation of Intangible Assets	(1,048)	(99)	0	0	0	1,147
Movements in the fair value of investment properties	902	(196)	0	0	0	(706)
Capital Grants, contributions and income in relation to donated assets credited to the Comprehensive Income & Expenditure Statement						
Capital Grants and contributions applied	14,373	120	0	0	0	(14,493)
Revenue expenditure funded from capital under statute	(2,770)	(50)	0	0	0	2,820
Impairment Losses	(74)	0	0	0	0	74
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17,479)	(2,571)	0	0	0	20,050
Total within the Comprehensive Income & Expenditure Statement debited or credited to the Capital Adjustment Account	(32,694)	2,921	0	0	0	29,773
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory provision for repayment of debt	7,294	0	0	0	0	(7,294)
Any voluntary provision for repayment of debt	4	48	0	0	0	(52)
Capital expenditure charged against the General Fund and HRA balances	552	1,023	0	0	0	(1,575)
Total debited to the General Fund Balance and credited to the Capital Adjustment Account	7,850	1,071	0	0	0	(8,921)
Sub Total for Capital Adjustment Account	**(24,844)**	**3,993**	**0**	**0**	**0**	**20,852**
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,857	83	0	0	(1,940)	0
Sub Total for Capital Grants Unapplied Account	**1,857**	**83**	**0**	**0**	**(1,940)**	**0**

2016/17	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on the disposal to the Comprehensive Income and Expenditure Statement	6	6,231	(6,236)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,819	0	0	(1,819)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	(97)	97	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(696)	0	696	0	0	0
Sub Total for Capital Receipts Reserve	**(690)**	**6,134**	**(3,625)**	**0**	**0**	**(1,819)**
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(738)	0	0	0	0	738
Sub Total for the Deferred Capital Receipts Reserve	**(738)**	**0**	**0**	**0**	**0**	**738**
Adjustments primarily involving the Major Repairs Reserve						
Contribution to Major Repairs Reserve	0	8,514	0	(8,514)	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,514	0	(8,514)
Sub Total for Major Repairs Reserve	**0**	**8,514**	**0**	**0**	**0**	**(8,514)**
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(45)	(8)	0	0	0	53
Sub Total for Financial Instruments Adjustment Account	**(45)**	**(8)**	**0**	**0**	**0**	**53**
Adjustments primarily involving the Pensions Reserve						
Amounts by which Pensions costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 37)	(13,905)	(1,170)	0	0	0	15,075
Employers Pensions contributions and direct payments to pensioners payable in the year	14,726	691	0	0	0	(15,417)
Sub Total for Pensions Reserve	**821**	**(479)**	**0**	**0**	**0**	**(342)**

2016/17	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	719	0	0	0	0	(719)
Sub Total for Collection Fund Adjustment Account	**719**	**0**	**0**	**0**	**0**	**(719)**
Adjustments primarily involving the Accumulated Absences Account						
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	(368)	40	0	0	0	328
Sub Total for Accumulated Absences Account	**(368)**	**40**	**0**	**0**	**0**	**328**
Total Adjustments	**(23,289)**	**18,277**	**(3,625)**	**0**	**(1,940)**	**10,577**

9. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

EARMARKED RESERVES	Balance 1 April 2016 £000s	Transfers In £000s	Transfers Out £000s	Transfers between £000s	**Balance 31 March 2017 £000s**	Transfers In £000s	Transfers Out £000s	Transfers between £000s	**Balance 31 March 2018 £000s**
Reserves earmarked for future revenue									
Corporate Reserves:									
Strategic Investment Reserve	(3,054)	(2,546)	3,029	0	**(2,570)**	(544)	1,831	(1,718)	**(3,002)**
Strategic Investment Reserve (Operational)	(1,843)	(976)	1,023	0	**(1,797)**	(2,343)	1,227	1,135	**(1,778)**
Redundancy Reserve	(588)	0	116	0	**(472)**	(272)	0	0	**(744)**
LPFA Sub Fund Reserve	(718)	0	0	0	**(718)**	0	0	718	**0**
Service Specific Reserves:									
One Council Services	(300)	(42)	12	0	**(331)**	(74)	51	(0)	**(355)**
Place Services	(849)	0	75	0	**(774)**	0	182	0	**(593)**
Learning & Children's Services	(618)	(25)	386	0	**(257)**	0	14	(125)	**(369)**
Health & Adult Services	(286)	(349)	97	0	**(539)**	(62)	312	0	**(289)**
Neighbourhoods	(188)	(19)	188	0	**(19)**	(6)	0	0	**(25)**
Neighbourhoods - Other	(61)	0	0	0	**(61)**	0	0	0	**(61)**
Statutory Reserves:									
On Street Parking Reserve	(994)	(3,341)	3,396	0	**(939)**	(3,411)	2,933	0	**(1,417)**
Bus Lane Enforcement Reserve	(1,557)	(1,710)	2,100	0	**(1,167)**	(1,312)	2,100	0	**(379)**
Moving Traffic Contravention Reserve	(932)	(4,758)	4,631	0	**(1,059)**	(2,999)	2,469	0	**(1,589)**
Kingston Theatre Retained Profits Reserve	(842)	(36)	0	0	**(878)**	0	142	0	**(736)**
Other Revenue Funds:									
Kingston Bridge Reserve Fund	(557)	(1)	0	0	**(558)**	(1)	0	0	**(559)**
Gloucester Rd Bridge Reserve	(83)	0	0	0	**(83)**	0	0	0	**(83)**
Company Loss Reserve	(702)	0	0	0	**(702)**	0	0	0	**(702)**
Other Funds	(105)	(7)	0	0	**(112)**	(9)	9	0	**(113)**
Earmarked Revenue Grants Funding	(8,284)	(2,553)	1,881	0	**(8,956)**	(938)	897	0	**(8,997)**
Total reserves earmarked for future revenue expenditure	**(22,561)**	**(16,364)**	**16,933**	**0**	**(21,992)**	**(11,972)**	**12,166**	9	**(21,790)**
HRA Earmarked Reserves									
HRA Earmarked Reserves	(118)	0	0	0	**(118)**	0	0	(18)	**(136)**
Total HRA earmarked reserve	**(118)**	**0**	**0**	**0**	**(118)**	**0**	**0**	**(18)**	**(136)**
Reserves earmarked for meeting future									
Insurance Reserve	(702)	(476)	0	0	**(1,177)**	0	366	0	**(811)**
Total reserves earmarked for future insurance claims	**(702)**	**(476)**	**0**	**0**	**(1,177)**	**0**	**366**	**0**	**(811)**
Schools									
Schools (held by Schools under delegated schemes)	(8,135)	(2,665)	4,805	0	**(5,996)**	(696)	2,051	9	**(4,631)**
Unallocated DSG	1,657	0	4,825	0	**6,482**	0	4,208	0	**10,690**
Total Schools	**(6,479)**	**(2,665)**	**9,630**	**0**	**486**	**(696)**	**6,260**	**9**	**6,059**
Reserves earmarked for future capital									
Earmarked capital reserves	(3,305)	(9)	253	0	**(3,061)**	(5)	2,289	0	**(777)**
Total reserves earmarked for future capital expenditure	**(3,305)**	**(9)**	**253**	**0**	**(3,061)**	**(5)**	**2,289**	**0**	**(777)**
Total Earmarked Reserves	**(33,165)**	**(19,513)**	**26,816**	**0**	**(25,862)**	**(12,673)**	**21,081**	**0**	**(17,454)**

Corporate Reserves:

Strategic Investment Reserve – this reserve is set aside to fund the Council's strategic and transformational priorities
Strategic Investment Reserve (Operational) – a reserve used to carry forward amounts e.g. un-ring fenced grants or other carry forward amounts to meet the cost of operational priorities in the following year.
Redundancy Reserve – monies for the potential liabilities resulting from redundancies from the Council's various transformational programmes
LPFA Sub Fund – monies set aside for the potential future requirement to contribute towards the London Pensions Fund Authority deficit on the fund when regulatory issues have been resolved.

Service Specific Reserves:

One Council Services – service specific reserves primarily relating to Community Safety and funds set aside to meet the cost of elections.
Place Services – specific reserves held by Place, the majority of which will be used to part fund the Kingston Futures programme.
Learning & Children's Services – specific reserves predominantly relating to the self-funding Adult Education service and Education Kingston.
Adult Services – specific reserves, this includes Public Health and Kingston Co-ordinated Care
Neighbourhoods – Neighbourhoods underspends carried forward and some specific earmarked items, including small reserves relating to the maintenance of specific assets

Statutory Reserves:

On Street Parking reserve – the statutory On Street Parking Account surpluses. This reserve is used to meet qualifying expenditure on transport and highways projects.
Bus Lane Enforcement reserve – the statutory Bus Lane Enforcement Account surpluses. This reserve is used to meet qualifying expenditure on transport and highways projects.
Moving Traffic Contravention reserve – a statutory reserve for Moving Traffic Contravention surpluses. This reserve is used to meet qualifying expenditure on transport and highways projects.
Kingston Theatre Retained Profits Reserve – reserve showing accounting adjustment related to Council's share of any retained profits from Kingston Theatre LLP. This is an accounting reserve and does not constitute available resource to the Council.

Other Revenue Funds:

Kingston Bridge Reserve Fund – reserve earmarked and ring fenced for expenditure on the maintenance of Kingston Bridge.
Gloucester Rd Bridge Reserve – reserve earmarked and ring fenced for expenditure on the maintenance of Gloucester Road Bridge.
Company Loss Reserve – reserve set aside to cover the ownership share of the current loss in AfC generated by the set up costs of the company.
Other Funds – a number of small operational reserves.
Earmarked Revenue Grants Funding – reserve containing unspent grants which have no specific conditions.

Other Funds:

Insurance Reserve – established to underwrite a proportion of the Council's insurable risks. Held in conjunction with the Council's Insurance provision.

Schools (held by Schools under delegated Schemes) – this balance is comprised of unspent revenue balances held by Schools at year end which may be applied the following year. The balances can only be used by the Schools and are not available to the Council for general use.
Unallocated DSG – residual balance relating to the 2017/18 Dedicated Schools Grants which is ring-fenced for use within Schools or to related Schools expenditure as directed by the Schools Forum. This is not available for general Council use.
Earmarked capital expenditure – reserves set aside to fund future capital expenditure.

10. OTHER OPERATING EXPENDITURE

2016/17 *£'000*		2017/18 *£'000*
	Levies	
137	Environment Agency	139
172	Lee Valley Regional Park Authority	161
221	London Pension Fund Authority	219
40	Wimbledon & Putney Commons Conservators	44
571	*Total Levies*	562
696	Payments to the Housing Capital Receipts Pool	690
13,813	(Gains)/losses on the disposal of non-current assets	(7,242)
15,080		(5,990)

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 *£'000*		2017/18 *£'000*
9,943	Interest payable and similar charges	10,590
12	Interest payable from finance leases	9
6,585	Net interest on the net defined benefit liability	5,631
(235)	Interest income	(182)
(835)	Interest receivable from finance leases	(686)
(4,075)	Income, expenditure and changes in the fair values of investment properties	(3,953)
(711)	Other investment income	(894)
10,684		10,515

12. TAXATION AND NON - SPECIFIC GRANT INCOME

2016/17 £'000		2017/18 £'000
(85,945)	Council tax income	(90,780)
(20,334)	Retained business rate receipts	(22,192)
(20,778)	Non-ringfenced government grants	(13,514)
(16,432)	Capital grants and contributions	(14,185)
(143,490)		(140,671)

13. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS

PROPERTY, PLANT AND EQUIPMENT (PPE)
The tables on the following pages show a breakdown of the opening and closing values of PPE assets and summarise the transactions during the year, for each class of asset. The 2016/17 information is included as a comparator. Any assets leased by the Council are included as assets on the Balance Sheet only if the arrangement is classified as a finance lease. In these cases their value will be included within the relevant heading.

The Council maintains a full list of its operational property assets which are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility. These include: council dwellings, other land building, vehicle, plant, furniture and equipment, infrastructure assets and community assets. The council's non-operational assets include surplus assets and assets under construction. These are included within Non-current assets on the face of the Balance Sheet.

The Council maintains a comprehensive register of all its assets, both owned and leased. The register is continually reviewed to ensure that all interests in property are recorded, and classified correctly. This leads to adjustments and amendments during the year, in addition to those amendments relating to new assets being acquired or surplus assets being disposed of.

Values as at 31 March 2018

2017/18	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastucture assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2017	352,656	376,095	25,870	144,912	2,805	14,658	4,014	921,010
Additions	16,143	13,944	1,775	11,115	42	0	37	43,057
Revaluation increases/(decreases) recognised in the Revaluation Reserve	108	(5,216)	0	0	0	0	0	(5,108)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,871	(11,080)	0	0	0	(5,047)	0	(12,255)
Derecognition - disposals	(1,920)	0	0	0	0	0	0	(1,920)
Derecognition - other	0	(5,908)	0	0	0	0	0	(5,908)
Other movements in cost or valuation	0	4,014	0	0	0	0	(4,014)	0
Reclassifications/Transfers	0	(6,636)	0	0	0	6,888	0	252
At 31st March 2018	370,859	365,214	27,645	156,028	2,848	16,500	37	939,131
Accumulated Depreciation and Impairment								
At 1st April 2017	0	(1,898)	(17,251)	(82,231)	0	0	0	(101,380)
Depreciation charge	(8,375)	(8,907)	(2,552)	(6,111)	0	0	0	(25,944)
Depreciation charge written out to the Revaluation Reserve	311	5,232	0	0	0	0	0	5,543
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,064	2,691	0	0	0	0	0	10,755
Derecognition - disposals	0	0	0	0	0	0	0	0
At 31st March 2018	0	(2,881)	(19,803)	(88,342)	0	0	0	(111,026)
Balance Sheet amount at 31st March 2018	370,859	362,333	7,842	67,685	2,848	16,500	37	828,104
Balance Sheet amount at 31st March 2017	352,656	374,197	8,619	62,681	2,805	14,658	4,014	819,630
Nature of asset holding								
Owned	370,858	359,310	7,736	67,685	2,848	16,500	37	824,975
Leased	0	3,023	106	0	0	0	0	3,129
	370,858	362,333	7,842	67,685	2,848	16,500	37	828,104

2016/17	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastucture assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2016	337,466	429,051	24,472	134,935	2,776	1,250	2,561	932,511
Additions	11,427	2,348	1,398	9,977	29	0	3,485	28,664
Revaluation increases/(decreases) recognised in the Revaluation Reserve	249	(15,237)	0	0	0	0	0	(14,988)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	6,745	(10,927)	0	0	0	0	0	(4,182)
Derecognition - disposals	(2,471)	(17,584)	0	0	0	0	0	(20,055)
Derecognition - other	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	2,032	0	0	0	0	(2,032)	0
Reclassifications/Transfers	(760)	(13,588)	0	0	0	13,408	0	(940)
At 31st March 2017	352,656	376,095	25,870	144,912	2,805	14,658	4,014	921,010
Accumulated Depreciation and Impairment								
At 1st April 2016	0	(2,223)	(14,481)	(76,294)	0	0	0	(92,998)
Depreciation charge	(7,876)	(10,713)	(2,770)	(5,937)	0	0	0	(27,296)
Depreciation charge written out to the Revaluation Reserve	163	8,150	0	0	0	0	0	8,313
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,713	2,883	0	0	0	0	0	10,596
Derecognition - disposals	0	5	0	0	0	0	0	5
At 31st March 2017	0	(1,898)	(17,251)	(82,231)	0	0	0	(101,380)
Balance Sheet amount at 31st March 2017	352,656	374,197	8,619	62,681	2,805	14,658	4,014	819,630
Balance Sheet amount at 31st March 2016	337,466	426,828	9,991	58,641	2,776	1,250	2,561	839,513
Nature of asset holding								
Owned	352,656	371,174	8,463	62,681	2,805	14,658	4,014	816,451
Leased	0	3,023	156	0	0	0		3,179
PFI	352,656	374,197	8,619	62,681	2,805	14,658	4,014	819,630

i) ASSETS REVALUATION

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at Current Value is re-valued at least every five years. All General Fund and HRA valuations were carried out by the Montagu Evans LLP, under the instruction of the Council's Asset services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are shown in the Balance Sheet at historic cost.

Further discussion concerning the valuation of Property, Plant and Equipment is contained under Note 4 (Assumptions made about the future and other major sources of estimation uncertainty), paragraph entitled; "*Fair value of property, plant and equipment not based on recently observed market prices*

Where assets have been re-valued and the revaluation reserve balance for an asset is nil a charge has been taken to the individual service lines within the Net Cost of Service of the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account. These charges include the value of onward revaluations on properties with a nil or exhausted revaluation balance and upward revaluations for properties which previously had downward revaluation charges to the Comprehensive Income & Expenditure Statement. The Revaluation reserve is credited with gains on the revaluation of assets. Revaluation gains which are subsequently reversed through impairment or disposal of the asset are debited from the reserve.

ii) IMPAIRMENT LOSSES

In accordance with IAS36 (impairment value of assets), each portfolio of assets is reviewed by the Royal Borough of Kingston Property Services and supported by the External Valuers, who consider whether any situation has occurred which would lead to a reduction in value as defined under IAS36. Assets identified under IAS36 are then valued and reductions in value are recorded. In 2017/18 there were no such assets were identified.

In 2017/18 and 2016/17, both the Council and External Valuers did not recognise any of RBK's assets having sustained any significant damage over the course of the last year and as such, are not aware that any asset has suffered impairment losses; all reductions in asset values were attributed to revaluation

iii) DEPRECIATION - USEFUL LIFE OF ASSETS

Assets with a finite useful life are depreciated on a straight line basis over their economic life, as determined by the Council's Valuers. As a guideline the following useful lives were applied:

Description	Number of years
Council dwellings	60
Buildings	10 - 40
Vehicles, plant and equipment	4 - 7
Infrastructure	20

In 2017/18, the Council reviewed the useful life of all property assets. All assets were depreciated over their remaining useful life on a straight line basis. For 2017/18 financial year the depreciation amounted to £17.569 million (£19.419 million in 2016/17), excluding the depreciation on housing dwellings.

The depreciation charge in relation to dwellings in the HRA in 2017/18 was £8.375 million (£7.876million in 2016/17).

iv) EFFECT OF CHANGES IN ESTIMATES – COMPONENTISATION

In adhering to the Code of Practice, the Council in 2017/18 financial year continued to apply the technique of componentisation to its property, plant and equipment assets.

Componentisation is a method, used for accounting and financial reporting purposes, to ensure that assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges. The Council is required to consider whether assets acquired, revalued or enhanced from 1 April 2010 contain significant components that should be recognised as distinct assets and depreciated separately.

For 2017/18 depreciation for Council dwellings has been calculated based on componentisation of blocks of similar properties (using beacon principles). This resulted in depreciation of the above figures being charged to the HRA.

v) CAPITAL COMMITMENTS

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years.

The major commitments are:

Value of commitment 31 Mar 2017 *£'000*		**Value of commitment 31 Mar 2018** *£'000*
766	Schools programme	15
723	General fund property programme	98
3,750	Public realm programme	2,876
350	Highways & transport programme	393
180	Housing general fund	0
989	ICT programme	647
2,553	HRA housing	13,880
9,310		**17,909**

vi) HERITAGE ASSETS

Heritage assets are assets held and maintained principally for their contribution to knowledge and culture. The Council recognises war memorials, civic regalia and its historic artefacts and museum stocks in this category.

It is the Authority's policy that the museum collections may be added to on an ad hoc basis, according to the suitability of items that become available and occasionally items may be disposed of taking into account various criteria including a presumption that the item will remain in the public domain. Care is taken to preserve the condition and protect the security

of all heritage assets; regular inspections are undertaken and experts may be called upon for conservation works.
Heritage assets are recorded within the accounts at valuation arrived at by a reasonable basis. The Council considers these assets to have an indefinite useful life and therefore depreciation is not applied.

The value of the Councils Heritage Assets totalled £1.209m as at 31 March 2018. The last valuation was undertaken in 2014/15. The Council's Civic Regalia and painting located in the Guildhall are included in the valuation. No additions or disposals occurred during the year. A number of other items have been identified as Heritage Assets but have not been included on the balance sheet because seeking a valuation is either impossible given their nature or would cost too much to be commensurate with benefits to the users of the financial statements. These items include:

- **Museum Collection –** Comprises of just under 9,000 items of either historical, rather than monetary value, or which are costly to value or impossible to value given their nature. The collection is varied, and though most are items of local interest, some items in the collection do hold national and international significance.
- **Art Collection –** Over 700 items, mostly of local topographical interest and some commercially produced pieces. Within this collection are a small selection of pieces by more notable artists and the ever-growing Brill collection, aspects of which will appreciate in value as the artists achieve success in their later careers.
- **The Eadweard Muybridge Collection –** A collection of an early photographic pioneer donated to the Authority at the end of his life. Muybridge achieved international success and was key to the progress of early 20C. Photography and the development of moving images. Some items are highly collectible but seeking a valuation basis is impossible due to their unique nature.
- **Local History Collection –** Collection includes books, pamphlets, maps, ephemera, oral histories, photographs and volumes of newspapers, totalling more than 18,000 items. There is no information detailing historical cost for significant items.
- **Archives –** The majority of the collection relates to the Royal Borough of Kingston upon Thames as an entity, this includes royal charters dating back to 1208. In addition to the records of the borough, over 350 collections from local organisations and individuals have been deposited with the archive.
- **Public Art –** sculptures and mosaics in public areas. There is no information on historic cost and given their nature the cost of valuation is not commensurate with benefits to users of the financial statements.

5 Year Summary of Transactions – the heritage collections continue to grow year on year, but there have been no significant acquisitions in the last 5 years.

vii) FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2018. Note the majority of property plant and equipment is carried at current value in accordance with IAS 16 adaptation.

31 March 2018	£'000 Level 1	£'000 Level 2	£'000 Level 3	£'000 Total
Surplus Assets	0	0	22,407	22,407
Investment Properties	0	0	84,530	84,530
Assets Held for sale	0	0	0	0
	0	**0**	**106,937**	**106,937**

Fair value of the Council's main property assets is estimated based on appraisals performed by independent, professionally-qualified property Valuers. The significant inputs and assumptions are developed in consultation with management. The valuation processes and fair value changes are reviewed by the S151 Officer and the Audit, Governance and Standards Committee at each reporting date.

14. INVESTMENT PROPERTIES

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.

Investment properties were valued by Montagu Evans LLP.

The following table summarises the movement in the Fair Value of investment properties over the year:

2016/17 *£'000*		2017/18 *£'000*
18,892	Balance at start of the year	23,433
2,895	- Purchases	57,375
0	Capital Expenditure	0
706	Net gains/losses from fair value adjustments	3,974
940	Transfers to/from Investment Property	(252)
23,433	Balance at end of the year	84,530

Fair value of the Council's main property assets is estimated based on appraisals performed by independent, professionally-qualified property Valuers. The valuations comprise a combination of Market Approach, Income Approach and Cost Approach, and Investment Property valuations are categorised at Level 3 in the Fair Value Hierarchy, since they include both observable and unobservable inputs. The significant inputs and assumptions are developed in consultation with management, and the valuation processes and fair value changes are reviewed by the S151 Officer and the Audit, Governance and Standards Committee at each reporting date.

In 2017/18 financial year, the council reported £57.375m capital spend on investment properties. This was due to acquisition of Kings Place & Conquest House and Kingsmill Business Park. The valuation of all the council investment properties have resulted to an increase in net gain for fair value by £3.268m in 2017/18 when compared to 2016/17.

The following amounts of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 2017/18:

2016/17 £'000		2017/18 £'000
(4,203)	Rental income from investment property	(7,066)
1,334	Direct operating expenses arising from investment property	635
(2,869)	Net (gain)/loss	(6,431)

15. INTANGIBLE ASSETS

Intangible assets are those which do not have physical substance, but bring economic benefit to the Council. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.550m charged to revenue in 2017/18 was charged directly to each service heading (£1.147m in 2016/17). See below table

The movement on the Intangible Assets balances during the year is as follows:

Intangible assets
for the year ended 31st March 2018

Other Assets 2016/17 £'000		Other Assets 2017/18 £'000
	Balance at start of year:	
8,021	- Gross carrying amounts	9,378
(3,508)	- Accumulated amortisation	(4,655)
4,513	Net carrying amount at start of year	4,723
	Additions:	
1,358	- Purchases	1,966
(1,147)	Amortisation for the period	(1,550)
4,723	Net carrying amount at end of year	5,139
	Comprising:	
9,379	- Gross carrying amounts	11,344
(4,655)	- Accumulated amortisation	(6,205)
4,723		5,139

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial instruments are recognised on the balance sheet when the Council becomes a party to a contractual obligation to a financial instrument. The following categories of financial instrument are carried in the Balance Sheet:

Long-term 2016/17 £'000	Current 2016/17 £'000		Long-term 2017/18 £'000	Current 2017/18 £'000
		Investments		
0	35,329	Investments and cash and cash equivalents	0	36,874
425	0	Available-for-sale financial assets	5,229	0
425	35,329	*Total Investments*	5,229	36,874
		Debtors		
7,555	23,340	Loans and receivables	7,570	29,140
0	20,574	Debtors not recognised as financial instruments	0	13,941
7,555	43,914	*Total included in Debtors*	7,570	43,081
		Borrowings		
(234,078)	(6,005)	Financial liabilities at amortised cost	(289,308)	(5,774)
(234,078)	(6,005)	*Total included in Borrowings*	(289,308)	(5,774)
		Creditors		
0	(30,515)	Financial liabilities at amortised cost	0	(36,102)
0	(19,413)	Creditors not recognised as financial instruments	0	(18,428)
0	(49,928)	*Total Creditors*	0	(54,530)
		Other Long-term Liabilities		
(63)	0	Finance lease liabilities	(6)	0
(63)	0	*Total Other Long-term Liabilities*	(6)	0

Financial Assets

Financial assets are classed as loans and receivables and have a fixed or determinable payments and are not quoted in an active market, except fixed term cash deposits which are carried at their purchase price. Some examples are listed below:

- cash in hand
- bank current and deposit accounts
- fixed term deposits

Financial assets classed as available for sale have been valued at fair value.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The fair value of the loans are valued at their carrying value as it is not possible to derive a fair value for the types of loans currently held by the Council.

Most of the Council's borrowing which is the amount presented in the Balance Sheet is the outstanding principal repayment (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Financial liabilities held at the balance sheet date consists of long-term loans with Public Works Loan Board (PWLB), Market loans, trade payables for good and services received.

Carrying amount 2016/17 £'000	Fair value 2016/17 £'000		Carrying amount 2017/18 £'000	Fair value 2017/18 £'000
(240,083)	(351,998)	Financial liabilities	(295,082)	(367,831)
(63)	(63)	Long-term creditors	(6)	(6)
(240,146)	(352,061)	Total Financial Liabilities	(295,088)	(367,837)
30,993	30,993	Loans and receivables	29,714	29,714
7,555	7,555	Long-term debtors	7,570	7,570
425	425	Available for sale financial assets	5,229	5,229
38,973	38,973	Total Financial Assets	42,512	42,512

Income, Expense, Gains and Losses

2016/17					2017/18			
Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for Sale	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for Sale	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
9,943	0	0	9,943	Interest expense	10,590	0	0	10,590
0	0	74	74	Impairment losses	0	0	21	21
9,943	0	74	10,017	Total expense in (Surplus)/Deficit on the Provision of Services	10,590	0	21	10,611
0	(1,070)	0	(1,070)	Interest income	0	(868)	0	(868)
0	(1,070)	0	(1,070)	on the Provision of Services	0	(868)	0	(868)
9,943	(1,070)	74	8,947	*Net (gain)/loss for the year*	10,590	(868)	21	9,743

Fair Value Measurement of Financial Instruments

Fair values are detailed below split by their level in the fair value hierarchy.

Level 1: fair value is only derived from quoted prices in active markets for identical assets or liabilities, for example bond prices.

Level 2: where the 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, the fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example interest rates or yields for similar instruments.

Level 3: fair value is determined using unobservable inputs, for example non-market data such as cash flow or estimated creditworthiness.

	Fair Value Level	Balance Sheet 31 March 2017	Fair Value 31 March 2017	Balance Sheet 31 March 2018	Fair Value 31 March 2018
		£'000	£'000	*£'000*	*£'000*
Financial Asset					
Money Market Funds	*1*	18,353	18,353	9,801	9,801
Equity and property funds	*3*	399	399	223	223
Shares in unlisted companies	*3*	26	26	5,005	5,005
Total		18,778	18,778	15,029	15,029
Assets for which fair value is not disclosed		68,446		77,724	
Total Financial Assets		**87,224**		**92,753**	
Recorded on Balance sheet as:					
Long- term debtors		7,555		7,570	
Long- term investments		425		5,229	
short-term debtors		43,914		43,081	
Cash and cash equivalents		35,329		36,874	
Total Financial Assets		**87,224**		**92,753**	
Financial Liabilities					
PWLB Loans	*2*	(172,072)	(244,786)	(211,687)	(271,625)
Market Loans	*2*	(61,000)	(107,212)	(61,988)	(96,205)
Lease payables	*2*	(63)	(63)	(6)	(6)
Total		(233,135)	(352,061)	(273,681)	(367,837)
Liabilities for which fair value is not disclosed		*(56,939)*		(75,937)	
Total Financial Liabilities		***(290,074)***		***(349,619)***	
Recorded on Balance sheet as:					
Long-term borrowing		(234,078)		(289,308)	
Other long-term liabilities		(63)		(6)	
Short-term creditors		(49,928)		(54,530)	
Short-term borrowing		(6,005)		(5,774)	
		(290,074)		**(349,619)**	

There were no transfers between level 1 and level 3 in 2017/18.

RBK has investment in Kingston Theatre LLP (see Note 33). The value is based on the following principle:

- the equity shown in Kingston Theatre LLP's balance sheet, shared proportionately between Partnership members.

Kingston Council also owns shares in UK Municipal Bonds Agency PLC and Royal London. The shares are disclosed at fair value.

The Council received a £20m loan from the Greater London Authority for the Cambridge Road Estate project.

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks
The Council's activities expose it to a variety of financial risks. The main risks are:

- Credit Risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk – the possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Overall Procedures for Managing Risk
The Council'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 in the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices (TMPs) specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry of Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its TMPs seek to achieve a suitable balance between risk and return or cost.

Credit Risk: Investments
The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy.

Limits are placed on the amount of money that can be invested with a single counterparty (other than the UK government) and on time periods. The Council also sets limits on investments in certain sectors.

The credit criteria in respect of financial assets held by the Authority during 2017/18 are as detailed below:

Counterparty types / Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt.	n/a	n/a	£ Unlimited 50 years	n/a	n/a
UK Local Authorities	n/a	n/a	£10m 25 years	n/a	n/a
AAA	£5m 5 years	£10m	£10m 20 years	£5m 10 years	£5m 10 years

		10 years			
AA+	£5m 5 years	£10m 10 years	£10m 20 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£10m 5 years	£10m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
BBB+	£2.5m 6 months	£5m 6 months	£2.5m 2 years	£2.5m 6 months	£2.5m 2 years
No Rating	£2.5m 6 months	n/a	* UK Local Authorities only (see above) --------------- Parish / Community Councils £50,000 1 year	Secured £2.5m 5 years ---------------- Unsecured £50,000 5 years	n/a
UK Nationalised / part nationalised Banks - £10m / 13 months					
Major UK Financial Institutions - £10m / 13 months					
Bank Subsidiary and Treasury Operations – as per Parent Bank					
UK Building Societies / Challenger Banks (without credit ratings) - £2.5m / 6 months					
Money Market Funds and other pooled funds - £10m per fund					
Entities Controlled or Significantly Influenced by the Council - £20m per organisation					

Notes to table above:

Government: Debt Management Account Deposit Facility, Government Bills or Gilts

UK Nationalised / part nationalised Banks: In the event of large state ownership it is judged the risk of failure will be lower than other banks, hence a higher monetary limit.

Major UK Financial Institutions – which have passed the Bank of England's Prudential Regulation Authority (PRA) most recent Bank Stress Tests (taking into any account mitigating actions).

Banks Unsecured: (the term ‘bank’ also refers to building societies). Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Bank subsidiary and Treasury Operations – If the entities are unrated or fall below the criteria specified above, the Council will use these where the parent bank meets the criteria specified for Banks.

UK Building Societies – the Council will use Societies without credit ratings, where credit analysis by the Council’s treasury management advisor show them to be suitably creditworthy, and which have a profit ratio (as % of total assets) of 0.25% and above (as shown in the latest produced set of accounts).

UK Challenger Banks: New banks which are smaller than the large, well established banks in the market. Many are unrated but do have very high levels of capital buffers. The Council’s treasury advisor will monitor and review these institutions. If they are satisfied that the banks show continuing stability, secure financial metrics and recommend them as a creditworthy counterparty, then up to £2.5m could be invested by the Council.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by Homes England and, as providers of public services, they retain the likelihood of receiving government support if needed.

Money Market Funds and other pooled funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s investment objectives will be monitored regularly.

Entities controlled or significantly influenced by the Council: For example - loans to Achieving for Children (AfC). Achieving for Children is a community interest company created in 2014 by the Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames to provide their children's services. In August 2017, the Royal Borough of Windsor and Maidenhead became a co-owner of AfC. All three boroughs are in joint agreement to provide AfC with a 'revolving credit facility'. This arrangement seeks to provide AfC with a loan facility to cover differences in timing of their income and expenditure. These loans form part of each Council's investment strategy.

Credit Ratings

Where credit ratings apply, investment decisions will be made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

The Council's maximum exposure to credit risk in relation to its investments of £34.28m as at 31 March 2018 (£27.65m 2016/17) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	31 March 2017 £m	31 March 2018 £m
AAA	7.30	19.00
AA+	-	-
AA	16.35	12.79
AA-	-	-
A+	-	-
A	3.00	2.49
A-	-	-
BBB+ (Baa1)	-	-
Unrated	1.00	-
Total Investments	27.65	34.28

Please note the figures quoted above are based on principal amounts invested and so will differ from those in Note 16 by items such as accrued interest and overdrawn cash balances at 31 March 2018.

Credit risk also arises by credit exposures to the Council's customers, although the Council does not generally allow for credit for its customers. The level of debt that is held but not impaired is analysed below:

2016/17 £'000		2017/18 £'000
18,655	less than one month	16,309
8	one to three months	6
8	four to six months	6
32	seven months to one year	30
18,703		16,350

Liquidity Risk
The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 20% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

2016/17 £'000		2017/18 £'000
6,005	Less than one year	5,774
5	Between one and two years	774
2,516	Between two and five years	4,824
230,550	More than five years	286,315
239,076		297,688

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

Market Risks – Interest Rate Risk
The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. The majority of the Council's borrowing is at fixed interest rates and therefore not subject to the risk of interest rate changes. As at 31 March 2018, £46m of the Councils borrowing (£46m 2016/17) was under Lender Option Borrowing Option (LOBO) agreements. These have a fixed initial term (typically one to ten years) and then move to an arrangement whereby the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current market conditions, there is a low probability for the lenders to trigger their options on the outstanding LOBO agreements.

The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

Market Risks - Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and therefore is not exposed to the risk of adverse movements in foreign exchange rates.

18. DEBTORS

Debtors by subjective analysis

31 Mar 2017		31 Mar 2018
£'000		£'000
9,268	Central Government Bodies	10,366
7,948	Other Local Authorities	3,969
3,492	NHS Bodies	4,478
2,477	Public Corporations	1,745
20,729	Other entities	22,523
43,914		43,081

Each line is disclosed net of impairment.

31 Mar 2017		31 Mar 2018
£'000		£'000
56,320	Debtors	55,707
2,620	Payments in Advance	3,253
(15,026)	Less Provision for impairment of bad debts	(15,879)
43,914		43,081

19. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up as follows:

2016/17		2017/18
£'000		£'000
20,753	Cash held by the Authority	6,574
(18,079)	Bank current accounts	(4,891)
9,302	Short-term deposits with building societies	19,481
11,976	Total Cash and Cash Equivalents	21,164

20. ASSETS HELD FOR SALE

Current 2016/17 *£'000*		Current 2017/18 *£'000*
5,000	Balance outstanding at start of the year	5,000
	Assets newly classified as held for sale:	
0	- Land	5,908
	Assets declassified as held for sale:	
0	Derecognition - disposals	(5,000)
5,000	Balance outstanding at year-end	5,908
	Represented by:	
5,000	- Short term assets held for sale	5,908
5,000	Total assets held for sale	5,908

21. CREDITORS

Creditors by subjective analysis

31 Mar 2017 *£'000*		31 Mar 2018 *£'000*
(6,237)	Central Government bodies	(11,337)
(4,183)	Other local authorities	(6,949)
(529)	NHS bodies	(2,153)
(764)	Public corporations and trading funds	(218)
(38,215)	Other entities and individuals	(33,873)
(49,928)		(54,530)

31 Mar 2017 *£'000*		31 Mar 2018 *£'000*
(46,583)	Creditors	(52,076)
(3,345)	Receipts in Advance	(2,454)
(49,928)		(54,530)

22. PROVISIONS

Provisions – included in Long Term Liabilities

	Outstanding Legal Cases £'000	Insurance Provision £'000	Other provisions £'000	Total £'000
Balance at 1 April 2016	0	(1,563)	0	(1,563)
Additional provisions made in year	0	(835)	0	(835)
Amount used in year	0	1,102	0	1,102
Balance at 31 March 2017	**0**	**(1,296)**	**0**	**(1,296)**
Balance at 1 April 2017	0	(1,296)	0	(1,296)
Additional provisions made in year	0	(879)	0	(879)
Amount used in year	0	897	0	897
Balance at 31 March 2018	**0**	**(1,278)**	**0**	**(1,278)**

Long Term Insurance Provision
The Council's long term liability insurance provision £1.278m is to meet the cost of that part of any liability claim that falls below the insurance deductible and is, therefore, not funded by the Council's insurance policy. As at March 2018, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves, see Note 9. There is also an insurance provision to meet potential liabilities expected within one year in current liabilities, please see below:

Provisions included in Current Liabilities

	Outstanding Legal Cases £'000	Insurance Provision £'000	Other provisions £'000	Total £'000
Balance at 1 April 2016	(41)	(1,563)	(2,195)	(3,799)
Additional provisions made in year	0	0	(2,260)	(2,260)
Amount used in year	0	267	3,061	3,328
Unused amounts reversed in year	36	0	0	36
Transfer of balances to/from LongTerm Provisions	0	0	(515)	(515)
Balance at 31 March 2017	**(5)**	**(1,296)**	**(1,909)**	**(3,210)**
Balance at 1 April 2017	(5)	(1,296)	(1,909)	(3,210)
Additional provisions made in year	0	0	(3,839)	(3,839)
Amount used in year	0	13	4,404	4,417
Unused amounts reversed in year	0	0	0	0
Transfer of balances to/from Short Term Provisions	0	0	0	0
Balance at 31 March 2018	**(5)**	**(1,283)**	**(1,344)**	**(2,632)**

Short term Insurance Provision

The Council's short term liability insurance provision £1.283m (£1.296m in 2016/17) is made to meet the cost of that part of any liability claim that falls below the insurance deductible and is, therefore, not funded by the Council's insurance policy. As at 31 March 2018, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves, see Note 9. There is also an insurance provision to meet potential liabilities expected in more than one year in long term liabilities, please see above.

Other provisions

A provision of £0.498m for outstanding appeals against valuations for Business Rates currently being assessed by the Valuation Office Agency (£1.795m in 2016/17). The provision has reduced because the outstanding appeals on the 2010 list are being resolved and there have not been new appeals due to a change in the process. There has been no change to the provision for known redundancy costs (£0.016m in 2016/17 & 2017/18). This year's new provisions include contribution towards outstanding employer's contribution for Kingston Adult Education Teachers' pensions (£0.442m); contribution towards Meyer Home Planning Appeal (£0.3m) and a contribution towards Facilities contractual costs (£0.07m).

23. USABLE RESERVES

	Notes	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Housing Revenue Account Balance £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied Reserve £000s	Total Usable Reserves £000s
Balance at 1 April 2016		**(8,018)**	**(33,165)**	**(4,267)**	**0**	**(6,785)**	**(2,966)**	**(55,200)**
(Surplus)/Deficit on the provision of services (accounting basis)	*MIRS*	30,588	0	(19,427)	0	0	0	11,161
Total Comprehensive Income & Expenditure		**30,588**	**0**	**(19,427)**	**0**	**0**	**0**	***11,161***
Adjustments between accounting basis and funding basis under regulations	*8*	(23,289)	0	18,277	0	(3,625)	(1,940)	(10,577)
Net (increase)/ decrease before transfers to earmarked reserves		***7,299***	***0***	***(1,150)***	***0***	***(3,625)***	***(1,940)***	***584***
Transfers to/ (from) earmarked reserves	*9*	(7,299)	7,303	0	0	0	(4)	0
(Increase)/ decrease in year		***0***	***7,303***	***(1,150)***	***0***	***(3,625)***	***(1,943)***	***584***
Balance at 31 March 2017		**(8,018)**	**(25,862)**	**(5,417)**	**0**	**(10,410)**	**(4,909)**	**(54,616)**
(Surplus)/Deficit on the provision of services (accounting basis)	*MIRS*	12,429	0	(15,980)	0	0	0	(3,551)
Total Comprehensive Income & Expenditure		***12,429***	***0***	***(15,980)***	***0***	***0***	***0***	***(3,551)***
Adjustments between accounting basis and funding basis under regulations	*8*	(7,623)	0	15,213	0	(7,467)	78	201
Net (increase)/ decrease before transfers to earmarked reserves		***4,807***	***0***	***(767)***	***0***	***(7,467)***	***78***	***(3,350)***
Transfers to/ (from) earmarked reserves	*9*	(8,408)	8,408	0	0	0	0	0
(Increase)/ decrease in year		***3,601***	***8,408***	***(767)***	***0***	***(7,467)***	***78***	***(3,350)***
Balance at 31 March 2018		**(11,619)**	**(17,454)**	**(6,184)**	**0**	**(17,878)**	**(4,831)**	**(57,966)**

Description of Reserves

General Fund Balance – This fund includes any surplus after meeting net expenditure on Council services.

Earmarked Reserves – Earmarked reserves are amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans. Also included in this note are amounts held by Schools under delegated schemes and amounts set aside to meet future insurance claims *(see Note 9 for detail)*

Housing Revenue Account Balance – This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

Major Repairs Reserve – This reserve must be credited with at least the depreciation charged to the HRA each year. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years. *(see Note 3 of the HRA Statements)*

Capital Receipts Reserve – This represents receipts from the sale of land and other assets. Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings and 50% of HRA land are transferred from the Capital Receipts reserve to the General Fund balance to compensate for the equivalent amount transferred to Government for inclusion in the national redistribution pool. The remaining balance is either used for the repayment of external loans, or transferred to the Capital Adjustment Account to finance capital expenditure.

Capital Grants Unapplied – These are unapplied capital grants set aside for future capital expenditure.

24. UNUSABLE RESERVES

	Notes	Revaluation Reserve £000s	Available for sale Financial Instruments Reserve £000s	Pensions Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts Reserves £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Accumulated Absences Account £000s	Total Unusable Reserves £000s MIRS
Balance at 1 April 2016		**(143,833)**	**(394)**	**195,197**	**(455,847)**	**(8,322)**	**881**	**427**	**4,065**	**(407,827)**
Other Comprehensive Income & Expenditure	*MIRS*	6,675	(5)	28,446	0	0	0	0	0	35,116
Total Comprehensive Income & Expenditure		**6,675**	**(5)**	**28,446**	**0**	**0**	**0**	**0**	**0**	**35,116**
Adjustments between accounting basis and funding basis under regulations	*8*	0	0	(342)	3,552	738	53	(719)	328	3,611
Net (increase)/ decrease before transfers to reserves		**6,675**	**(5)**	**28,104**	**3,552**	**738**	**53**	**(719)**	**328**	**38,728**
Transfers to/ (from) other reserves		6,966	0	0	0	0	0	0	0	6,966
(Increase)/ decrease in year		**13,640**	**(5)**	**28,104**	**3,552**	**738**	**53**	**(719)**	**328**	**45,693**
Balance at 31 March 2017		**(130,193)**	**(399)**	**223,301**	**(452,294)**	**(7,583)**	**934**	**(292)**	**4,393**	**(362,133)**
Other Comprehensive Income & Expenditure	*MIRS*	(435)	176	(15,654)	0	0	0	0	0	(15,913)
Total Comprehensive Income & Expenditure		**(435)**	**176**	**(15,654)**	**0**	**0**	**0**	**0**	**0**	**(15,913)**
Adjustments between accounting basis and funding basis under regulations	*8*	0	0	10,853	(3,685)	46	(3,538)	(2,304)	(1,573)	(201)
Net (increase)/ decrease before transfers to reserves		**(435)**	**176**	**(4,801)**	**(3,685)**	**46**	**(3,538)**	**(2,304)**	**(1,573)**	**(16,115)**
Transfers to/ (from) other reserves		6,950	0	0	(6,950)	0	0	0	0	(0)
(Increase)/ decrease in year		**6,515**	**176**	**(4,801)**	**(10,635)**	**46**	**(3,538)**	**(2,304)**	**(1,573)**	**(16,115)**
Balance at 31 March 2018		**(123,678)**	**(223)**	**218,500**	**(462,930)**	**(7,537)**	**(2,604)**	**(2,596)**	**2,821**	**(378,249)**

Description of Reserves

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:

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

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

For 2017/18, £1.96m (2016/17 £2.3m) of revaluation gains were written out due to asset disposal and (£0.435m) (2016/17 £6.675m) was added to the reserve due to revaluation gains.

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

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

In 2017/18 the available for sale financial instrument reserve has decreased by £0.176m (2016/17 £0.005m increase).

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

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Fair Value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The table below details transaction in the Capital Adjustment Account for 2016/17 and 2017/18.

2016/17 £'000		Notes		2017/18 £'000
(455,847)	Balance brought forward			(452,295)
	Transactions with Comprehensive Income & Expenditure Statement			
	(Surplus) or deficit on revaluation of non-current assets			
	Adjustments between accounting basis and funding basis			
29,773	Items debited or credited to the Comprehensive Income & Expenditure Account	8		21,061
0	Application of grant to capital finance transferred to the CAA	8		(1,260)
(8,514)	Use of Major Repairs Reserve to finance capital expenditure	8		(8,930)
	Transactions with Usable Reserves			
(7,294)	Statutory provision for the repayment of debt	8		(5,902)
(52)	Any voluntary provision for the repayment of debt	8		(60)
(1,575)	Capital Expenditure charged against the General Fund and HRA balances	8		(2,470)
(1,819)	Use of the Capital Receipts Reserve to finance new capital expenditure	8		(6,124)
	Transactions with Revaluation Reserve			
(2,317)	Fair value depreciation of revalued assets		(1,957)	
(4,649)	Writing out revaluation reserve balance on disposal/derecognition of assets		(4,993)	(6,950)
(452,295)	Balance carried forward			(462,930)

Financial Instrument 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 2018, is £0.934m.

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

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 employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

For 2017/18, a £0.328m surplus for Council Tax is carried forward (2016/17 £1.147m). For NNDR a £2.269m surplus is carried forward (2016/17 £0.855 deficit). This movement is mainly as a result of reduced appeals provision required in the year.

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.

25. CASHFLOW STATEMENT – Non-Cash adjustments

2016/17 *£'000*		2017/18 *£'000*
(27,295)	Depreciation	(25,944)
6,414	Impairment and downward valuations	3,547
(1,147)	Amortisations	(1,550)
(1,344)	(Increase)/decrease in impairment for bad debts	(853)
(7,116)	(Increase)/decrease in creditors	(6,448)
(650)	Increase/(decrease) in debtors	34
2	Increase/(decrease) in inventories	(1)
342	Movement in pension liability	(10,853)
(20,050)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,920)
	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	
855	- provisions	596
706	- movements in the value of investment properties	3,974
(49,284)	*Total non-cash adjustments*	(44,418)

2016/17 *£'000*		2017/18 *£'000*
(265)	Interest received	(210)
9,949	Interest paid	9,586
9,684	*Total additional disclosure requirements*	9,376

2016/17 £'000		2017/18 £'000
6,236	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,736
6,841	Application of capital grants	13,003
13,077	*Total adjustments for investing or financing activities*	27,739

26. CASHFLOW STATEMENT – Investing Activities

2016/17 £'000		2017/18 £'000
30,573	Purchase of property, plant and equipment, investment property and intangible assets	45,725
11,150	Purchase of short-term and long-term investments	6,041
696	Other payments for investing activities	690
(6,236)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(14,736)
(11,008)	Proceeds from short-term and long-term investments	(11,593)
(10,415)	Other receipts from investing activities - includes grants specifically received for the cost of purchasing property, plant and equipment or intangible assets	(21,092)
14,760	*Net cash flows from investing activities*	5,034

27. CASHFLOW STATEMENT– Financing Activities

2016/17 £'000		2017/18 £'000
0	Cash receipts of short- and long-term borrowing	0
11	Other receipts from financing activities	3
2,005	Repayments of short- and long-term borrowing	6,005
2,016	*Net cash flows from financing activities*	6,008

28. MEMBERS ALLOWANCES

The total amount of Members' allowances and expenses paid during 2017/18 was £704,754 (£691,815 in 2016/17). Full details can also be found on the Council's website. https://moderngov.kingston.gov.uk/documents/s77981/Members%20Allowances%20payments%202017-18.pdf

29. OFFICERS' REMUNERATION

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

	Notes		Pay, fees and allowances	Compensation for Loss of Office	Pension Contribution	Total
			£'000	£'000	£'000	£'000
Chief Executive - Charlie Adan	1	2017/18	173	0	28	201
		2016/17	110	0	17	127
Deputy Chief Executive - Roy Thompson	1	2017/18	99	0	16	114
		2016/17	0	0	0	0
Director of Place	1	2017/18	49	0	8	57
		2016/17	144	0	22	167
Director of Finance	2	2017/18	29	138	5	171
		2016/17	144	0	22	167
Interim S151 Officer & Head of Finance – Strategy and Accounting	2	2017/18	62	57	11	130
		2016/17	0	0	0	0
Interim Chief Finance Officer	3	2017/18	64	0	0	64
		2016/17	0	0	0	0
Head of Legal Services	4	2017/18	24	45	4	72
		2016/17	89	0	14	103
Interim Assistant Director Governance and Law	4	2017/18	33	0	0	33
		2016/17	0	0	0	0
Head of Corporate Governance	4	2017/18	74	0	12	85
		2016/17	0	0	0	0
Director Communities	5	2017/18	2	0	0	3
		2016/17	0	0	0	0
Interim Director Communities	5	2017/18	16	0	0	16
		2016/17	0	0	0	0
Interim Director Growth	5	2017/18	85	0	0	85
		2016/17	0	0	0	0
Interim Director Corporate and Commercial	5	2017/18	30	0	0	30
		2016/17	0	0	0	0
Head of Organisational Development & Strategic Business	6	2017/18	0	0	0	0
		2016/17	95	130	0	224
Director of Public health	7	2017/18	0	0	0	0
		2016/17	100	0	13	114
Interim Director of Public health	7	2017/18	114	0	16	130
		2016/17	106	0	15	121
Senior Consultant - People Directorate		2017/18	198	0	0	198
		2016/17	81	0	0	81
Director of Adult Social Services		2017/18	123	0	19	142
		2016/17	107	0	17	123

The Code of Practice requires the separate disclosure of amounts described as Bonuses, Expense Allowances and non-cash benefits. None of these items were accrued by the officers described in the table above in 2016/17 and 2017/18 and so no columns have been included in this table.

Pensions Contributions represent the future cost of service.

Notes:

1. The Chief Executive Charlie Adan joined the Council on 10 August 2016. Deputy Chief Executive Roy Thompson, was the Director of Place up until 31st July 2017.

2. The Director of Finance was also the Council's Section 151 Officer up until 16th June 2017 when he left. The Head of Finance – Strategy and Accounting acted as interim S151 Officer until he retired in October 2017.

3. An Interim Chief Finance Officer joined the council in November 2017 for the remainder of 2017/18.

4. The Head of Legal Services who was also the Council's Monitoring Officer, left the council on 5th July 2017. The Council's Monitoring Officer's position was subsequently covered by the Head of Corporate Governance, and latterly the Interim Assistant Director, Governance and Law.

5. Following a management restructure, Interim Directors of Communities, Growth and Corporate & Commercial were in place for part of the year in 2017/18. The permanent Director, Communities joined in late March 2018 with other permanent appointments starting work in April 2018.

6. The Head of Organisational Development and Strategic Business left the Council on 31 January 2017. This post has not been replaced.

7. The Director of Public Health stopped working for the Council in December 2016, an Interim appointment to the position has been made.

8. The Director of Children's Services is a shared post with the London Borough of Richmond. The post holder is employed by London Borough of Richmond with 50% of his salary (including employer's national insurance and pension contributions) recharged to the Royal Borough of Kingston through the Achieving for Children contract.

The Authority's other employees (not including those in the previous table) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are as follows:

2016/17				2017/18		
Number of other employees	*Number of teachers*	*Total number of employees*	Remuneration bands	*Number of other employees*	*Number of teachers*	*Total number of employees*
30	16	46	50,001 - 55,000	29	18	47
15	15	30	55,001 - 60,000	18	8	26
8	5	13	60,001 - 65,000	11	9	20
5	4	9	65,001 - 70,000	9	3	12
1	3	4	70,001 - 75,000	1	4	5
3	2	5	75,001 - 80,000	1	2	3
1	4	5	80,001 - 85,000	0	3	3
1	0	1	85,001 - 90,000	2	2	4
0	0	0	90,001 - 95,000	2	0	2
2	0	2	95,001 - 100,000	1	0	1
1	0	1	100,001 - 105,000	0	0	0
3	0	3	105,001 - 110,000	1	0	1
0	0	0	110,001 - 115,000	0	0	0
1	0	1	115,001 - 120,000	1	0	1
71	49	120		76	49	125

The note excludes Voluntary Aided and Foundation schools.

The cost of exit packages are as follows:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£	*No*	*No*	*No*	*No*	*No*	*No*	*£'000*	*£'000*
0 - 20,000	37	17	6	2	43	19	421	135
20,001 - 40,000	5	3	0	0	5	3	134	71
40,001 - 60,000	3	2	0	0	3	2	143	113
60,001 - 80,000	0	1	0	0	0	1	0	70
80,001 - 100,000	1	0	0	0	1	0	84	0
100,001 - 150,000	0	1	3	1	3	2	367	250
150,001 - 200,000	0	0	0	0	0	0	0	0
200,001 - 250,000	0	1	0	0	0	1	0	248
Sub - Total	46	25	9	3	55	28	1,148	886
Provision	1	0	0	0	1	0	16	16
Total	47	25	9	3	56	28	1,164	902

The total cost of £0.886m (£1.164m in 2016/17) in the table above includes exit packages that have been agreed, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement in the current year. The balance of £0.117m (£0.164m in 2016/17) of committed cost have not been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year as the agreed cost is spread over 3 years in accordance with statutory rules. There are no costs to the Comprehensive Income and Expenditure Statement in respect of schools where schools are the decision making body. Foundation and Voluntary Aided schools have been excluded from this not as the Authority is not the direct employer.

30. 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 statutory inspections and to non-audit services provided by the Authority's external auditors. Public Sector Audit Appointments has appointed Grant Thornton UK LLP as the external auditor for 2017/18.

2016/17		2017/18
£'000		*£'000*
110	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	110
37	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	29
51	Fees payable in respect of other services provided by Grant Thornton	0
198		139

31. DEDICATED SCHOOLS GRANTS

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. 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 2017/18 are as follows:

	Central expenditure	Individual Schools Budget (ISB)	Total
	£'000	*£'000*	*£'000*
Final DSG for 2017/18 before academy recoupment	-	-	(127,879)
Academy recoupment for 2017/18	-	-	49,970
Total DSG after academy recoupment for 2017/18	-	-	(77,909)
Bought forward from 2016/17		-	6,482
Agreed initial budgeted distribution	(11,574)	(59,854)	(71,427)
In year adjustments	-	-	-
Final budgeted distribution for 2017/18	(11,574)	(59,854)	(71,427)
Less actual central expenditure	22,094	-	-
Less actual ISB deployed to Schools	-	60,023	-
Carried forward to 2018/19	10,520	169	10,690

32. GRANT INCOME

Details of the grants, contributions and donations received by the Authority and credited to the Comprehensive Income and Expenditure Statement in 2016/17 and 2017/18 over £1 million can be found below.

2016/17 £'000		2017/18 £'000
	Grants Credited to Taxation and Non-specific Grant Income (over £1m)	
(11,959)	Revenue Support Grant	(5,522)
(4,704)	New Homes Bonus	(3,676)
(1,326)	Education Services Grant	(346)
(1,032)	Disabled Facilities Grant	(1,268)
(1,305)	DCLG Transition Grant	(1,288)
(6,776)	Transport for London	(6,579)
(6,088)	Schools Basic Need	(3,343)
(1,039)	Schools Capital Funding	(937)
(34,229)		(22,959)

2016/17 £'000		2017/18 £'000
	Grants Credited to Services (over £1m)	
(72,964)	Benefit Subsidy	(71,103)
0	Better Care Fund	(1,178)
(72,927)	Dedicated Schools Grant	(77,701)
(10,636)	Public Health	(10,374)
(2,909)	Pupil Premium	(2,901)
(1,542)	Skills Funding Agency	(1,426)
(1,911)	Universal Infant Free School Meals	(1,890)
(162,889)		(166,573)

33. RELATED PARTIES AND INTEREST IN COMPANIES

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

- **Central Government**

Central government has significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of grant funding that the council receives and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grant receipts are shown in Note 32.

- **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 28.

During 2017/18 members of the Authority (or members of their immediate family or household) undertook related party transactions with the following organisations to the value of £3.122m (£4.092m 2016/17). The amounts disclosed below are those considered to be material to either of the related party transaction (i.e. either the Royal Borough of Kingston upon Thames or the other entity).

Organisation	Nature of Transactions	2016/17 £000s	2017/18 £000s
Kingston Voluntary Action	Grants and other payments from RBK	528	483
Sir Francis Barker Recreational Gro	Grants and other payments from RBK	20	20
Your Healthcare CIC	Payments from RBK and Your Healthcare	3,780	3,875
Kingston Carers Network	Grants and special project payments from RBK	242	239
Coombe Hill Investments	Payments from RBK	84	102
Surbiton Festival	Grants and other payments from RBK	2	2
Shiraz Mirza Community Hall Trust	Payments from RBK and payment from SMCHT	2	0
Kingston Race & Equalities Council	Grants and other payments from RBK, Payments from R&EC	58	50
Institute of Tamil Culture	Grant from RBK	9	0
King's College London	Payments from RBK	44	32
John Lewis Partnership	Payments from John Lewis PLC	(922)	(957)
Vodafone	Payments from both RBK and Vodafone	244	202
Saipem Ltd	Payments from Saipem Ltd	0	(1,662)

The disclosure has been prepared using the Authority's Register of Members' Interest in addition to a specific declaration obtained in respect of related party transactions from Members. The Authority issued 48 electronic forms to be completed, 47 specific declarations of interest forms from Members were received (48 in 2016/17).

Details of all Members' interests are recorded in the Register of Members' Interests, open to public inspection on the Council's website www.kingston.gov.uk .

The Council makes a number of appointments each year to various local and regional bodies to represent the interests of the community. All of these appointments are approved by Council and details can be found within Committee minutes on the Council's website www.kingston.gov.uk .

There were no other material related transactions between related parties and Members of the Council.

- **Voluntary Organisations**

The Authority made grants and other payments totalling £1.012m (£1.364m in 2016/17) to voluntary and other organisations.

- **Officers**

The Head of Finance – Strategy & Accounting was the Council's nominated Director of Kingston Theatre LLP until his retirement on 31st October 2017. From the 31st October 2017 until the 31st March 2018 the Council's nominated director was the Head of Financial Engagement and Advice – Business Intelligence and Advice. The Council's interest in Kingston Theatre LLP is disclosed below under Interests in Companies.

There were no other material transactions between related parties and senior officers within the Council

- **Other Public Bodies**

The Authority has a pooled budget arrangement with Kingston NHS Foundation Trust for the provision of Moor Lane Children's and Young People's services.

The Authority works in partnership with the Kingston Clinical Commissioning Group to continually improve integration of the NHS function with the Council's health-related functions.

South London Waste Partnership (SLWP)

The South London Waste Partnership is a Joint Committee, established in September 2007, to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton, Sutton and the Royal Borough of Kingston upon Thames. The Royal Borough of Kingston upon Thames is the lead Borough for procurement and has awarded the contracts on behalf of the Partnership. The management group and the joint waste committee is made up of an equal number of representatives from across all four boroughs.

Other London Boroughs – Shared Service Arrangements

As part of the Council's response to the changing financial envelope in which Local Authorities operate, a number of shared service arrangements with other Local Authorities are in operation or are about to go into operation.

- **Human Resources –** from 1 May 2016 the Council's Human Resource (HR) services commenced realignment of a new shared service arrangement between Royal Borough of Kingston upon Thames and London Borough of Sutton and was substantially established by 1 October 2016. The service hosted by RBK, includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations, advice, provision of learning and development as well as Occupational Health and Health and Safety. This replaced the previous shared service with London Borough of Richmond.
- **Internal Audit Shared Service –** from 1 June 2012 Internal Audit and Investigations work has been provided via a shared service. Initially, this was with London Borough of Richmond, subsequently, the London Boroughs of Wandsworth, Merton and Sutton have joined the shared service. The employing authority for the service is Richmond. Again this service is providing a shared expertise and a wider resilience for the boroughs.
- **ICT –** RBK entered into a joint service for ICT with London Borough of Sutton on 1 May 2013. The joint service is providing greater ICT infrastructure resilience as well as shared expertise to drive out further savings and provide a better quality service.
- **Legal –** Kingston Council, along with London Borough of Sutton, joined the existing shared legal service between London Borough of Richmond and London Borough of Merton on 1 October 2013.

- **Environmental Services** – Kingston and Sutton Councils decided to set up a Shared Environment Service (SES), which includes Environmental Health, Trading Standards, Sustainable Transport and Highways &Transport. The implementation commenced in November 2015 and was substantially completed by April 2016.
- **Pensions Administration Service** – On the 1st April 2016 The Royal Borough of Kingston entered into a shared service for its Pension Administration service.
- **Finance –** The Royal Borough of Kingston entered into a joint service for Finance with London Borough of Sutton on 1 April 2017.
- **Customer Contact Centre** – The Royal Borough of Kingston entered into a joint service for its customer contact centre with The London Borough of Sutton on 1 April 2017.

Interest in Companies – Entities Controlled or Significantly Influenced by the Authority

Achieving for Children CIC
Achieving for Children (AfC) started trading on 1 April 2014. The company is jointly owned with the London Borough of Richmond and the Royal Borough of Windsor & Maidenhead. The Royal Borough of Kingston and the London Borough of Richmond each hold a 40% stake with the Royal Borough of Windsor & Maidenhead holding the remaining 20%. The two controlling councils are the subscribing guarantors and first members. The company is a Community Interest Company (CIC) limited by guarantee which delivers Children's Services to the three boroughs.

There are three specific ways in which the two founding Councils control of AfC is exercised:

- Ownership - as the owners and members of the Company the Councils have a number of matters reserved to them, including the appointment and dismissal of the Non-Executive Independent Directors, who are responsible to them.
- Contractual - the Councils commission AfC and have a contractual relationship with the Company that provides them with rights and powers that can be enforced if not complied with
- Director of Children's Services - the appointed Director for Children's Services (DCS) is an Executive Director of AFC, the council is able to direct the actions of the DCS.

The Statement of Accounts for 2017/18 includes consolidated Group Accounts which include the activities of the Council and its ownership share of the profit realised by AfC for 2017/18 because of the size of the company in terms of turnover and the parent relationship that RBK has with AfC.

The Community Interest Company model means that the assets of the company (including any profits or surplus generated) are locked into the company and there are restrictions on what they can be used for. They must either be retained within the CIC to be used for the community purposes for which it was formed or can (in limited circumstances and only in agreement with the owners) be transferred out of the company. These circumstances include transferring assets to another CIC or for the benefit of the community.

The Board of AfC is made up of:
2 x Executive Directors
6 x Council Appointed Directors (Maximum 2 x per member)
6 x Non-Executive Independent Directors

AfC's audited statement of accounts for 2017/18 will be available on their website:
https://www.achievingforchildren.org.uk/

Kingston Theatre LLP
A Limited Liability Partnership (LLP) exists between the Council (95% stake) and Kingston University (5% stake), the principal activity, of which, is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre. The LLP consider the Council to be the ultimate parent undertaking. The LLP is structured in such a way that future investors can purchase a stake in the partnership, but that the combined stake holding of the Council and University will not fall below 51%.

Kingston Theatre Trust (KTT)
The Kingston Theatre Trust is the tenant of the Rose Theatre. From 1 April 2015 until March 2020 there is an agreement between the Council and KTT. The new financial support to KTT is £0.265m per annum and will guarantee the purchase of a range of educational and community benefits which will support the Council's policy programme.

Pooled Arrangements – Better Care Fund
2017/18 was the third year of the Council's aligned budget arrangement (Pooled Fund) with Kingston Clinical Commissioning Group (CCG). This agreement came in to force on 1 April 2015. The Council continues to be the host of the Pooled Fund for the purpose of the regulations and is responsible for the Pooled Manager. The Director of Adult Social Care is the Pooled Manager and is accountable directly to the Chief Executive.

The Authority has a 12.589m pooled budget arrangement, the CCG contribution to the Pooled Fund was £10.274m and the Council's contribution to the Pooled Fund was £2.315m. 2017/18 was the first year that the government provided additional funding for Social Care through the "Improved Better Care Fund" and this funding went to Local authorities. The elements that Kingston provided funding for were as follows:

- Disabled Facilities Grant £1.137m
- Improved Better Care Fund contribution: £1.178m

Kingston was also the lead provider of care, but the funding source was provided by CCG. The funds amounted to £3.127m for the following service areas:

- Social Care Services £2.720m
- Care Bill Implementation £0.407m

CCG also provided funding for the provision of 3 Schemes that were provided by either the NHS or the Voluntary Sector; these amounted to £7.147m on the following areas:

- Integrated Community Service £6.807m
- Extension to rapid response service £0.200m
- Carers Support £0.140m

2016/17 £'000	**Pooled Budget - Better Care Fund**	2017/18 £'000
	Funding provided to the pooled budget	
1,033	- by the Council	2,315
10,093	- by the CCG	10,274
11,126		12,589
	Expenditure met from the pooled budget	
510	- by the Council	2,189
10,093	- by the CCG	10,274
10,603		12,463
(523)	Net (Surplus)/Deficit on the pooled budget during the year	(126)
(523)	Council share of net (surplus)/deficit arising on the pooled budget*	(126)
	* The surplus on the pooled budget relates to capital grants unspent	

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

2016/17 £'000		2017/18 £'000
269,288	Opening Capital Financing Requirement	271,276
	Capital investment	
28,664	Property, Plant and Equipment	43,057
2,895	Investment Properties	57,375
1,358	Intangible Assets	1,966
2,820	Revenue Expenditure Funded from Capital under Statute	2,103
	Sources of finance	
(1,819)	Capital receipts	(6,124)
(14,493)	Government grants and other contributions	(16,719)
	Sums set aside from revenue:	
(10,090)	- Direct revenue contributions	(8,930)
(7,346)	- Minimum revenue provisions (MRP)	(5,962)
271,276	Closing Capital Financing Requirement	338,042
	Explanation of movements in year	
1,988	Increase/(decrease) in underlying need to borrowing	66,766
1,988	(Increase)/decrease in Capital Financing Requirement	66,766

35. LEASES

Authority as Lessor

Finance Leases
The Council has granted a number of property leases which have been accounted for as a finance lease. The following tables detail the gross investment and the minimum lease payments receivable under these finance leases. To make the figures more meaningful rent income for 50 years from the balance sheet date has been included rather than until the lease is complete.

Gross Investment

31 Mar 2017 £'000		31 Mar 2018 £'000
	Finance lease debtor (net present value of minimum lease payments)	
46	- current	30
7,540	- non-current	7,494
19,170	Unearned finance income	19,069
126	Unguaranteed residual value of property	126
26,881	Gross investment in the lease	26,720

Reconciliation between gross investment in the lease and minimum lease payment

31 Mar 2017 £'000		31 Mar 2018 £'000
26,881	Gross investment in the lease	26,720
(126)	*less* unguaranteed residual value of property	(126)
26,755		26,594

Minimum Lease Receipts

Minimum lease receipts 31 Mar 2017 £'000		Minimum lease receipts 31 Mar 2018 £'000
(488)	Not later than one year	(459)
(1,865)	Later than one year and not later than five years	(1,837)
(18,097)	Later than five years	(18,017)
(20,449)		(20,313)

36. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are eligible to be members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers 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 Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2017/18, the Council paid £3.954m to Teachers Pensions in respect of retirement benefits. The employer contributions percentage has not changed and remains 16.48% of pensionable pay in respect of teachers' retirement benefits. There were no contributions remaining payable at the year-end. The amount paid in 2016/17 was £4.014m.

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.

The Authority also employs staff who are part of the NHS Pensions Scheme, administered by NHS Pensions. This is largely due to the transfer, in 2013/14, of Public Health responsibilities from the NHS to the Council. In 2017/18, the Council paid £0.115m in respect of NHS pensions retirement benefits, representing 14.3% of pensionable pay. The amount paid in 2016/17 was £0.153m which was also 14.3% of pensionable pay. There were no contributions remaining payable at the year end.

37. 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 payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by the Royal Borough of Kingston upon Thames – this is a funded defined benefit 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.
- Arrangements for the award of 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 pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/ retirement benefits is reversed out of the General Fund 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:

31 Mar 2017 £'000		31 Mar 2018 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
13,095	- current service cost	18,003
461	- past service costs	148
(5,066)	- settlements and curtailments	0
	Financing and Investment Income and Expenditure	
(13,816)	- Interest income on plan assets	(11,449)
20,401	- Interest cost on defined benefit obligation	17,080
15,075	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	23,782
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
105,455	- Actuarial gains and losses arising on changes in financial assumptions	(11,670)
(54,865)	- Return on Assets excluding amounts included in net interest	(3,949)
(8,568)	- Actuarial gains and losses arising on changes in demographic assumptions	0
(13,576)	- Other experience	(35)
43,521	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	8,128
	Movement in Reserves Statement	
(15,075)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(23,782)
	Actual amount charged against the General Fund Balance for pensions in the year:	
15,240	- employers' contributions payable to scheme	12,929

The re-measurement of the net defined liability in the Comprehensive Income and Expenditure Statement 2017/18 is a gain of £15.65m (2016/17 £28.45m loss). This relatively modest gain reflects the limited changes in financial assumption between the two years.

Assets and Liabilities in Relation to Post-employment Benefits
Pension asset and liabilities recognised on the balance sheet

31 Mar 2017 £'000		31 Mar 2018 £'000
460,707	Fair value of plan assets	470,219
(665,211)	Present value of funded liabilities	(670,955)
(18,797)	Present value of unfunded liabilities	(17,764)
(223,301)	Closing balance at 31 March	(218,500)

Reconciliation of Fair Value of scheme assets:

31 Mar 2017 £'000		31 Mar 2018 £'000
397,696	Opening balance at 1 April	460,707
13,816	Interest Income on plan assets	11,449
54,865	Remeasurement gain or losses	3,949
15,240	Contributions by employers	12,929
3,117	Contributions by employees into the scheme	2,922
(23,180)	Benefits paid	(21,737)
1,086	Entity combinations	0
(1,933)	Settlements	0
460,707	Closing balance at 31 March	470,219

The expected return on scheme assets is calculated using the discount rate used in calculating future liabilities within the scheme. This method is used for accounting purposes and will be different to the actual return on assets within the scheme.

The schemes assets measured at fair value were invested in the asset categories detailed below:

Asset Category	Quoted Prices in Active Markets at 31-Mar-18	Quoted Prices in not Active Markets at 31-Mar-18	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Equity Security:				
- Consumer	17,146	-	17,146	4%
- Manufacturing	10,793	-	10,793	2%
- Energy & Utilities	8,939	-	8,939	2%
- Financial Institutions	19,061	-	19,061	4%
- Health and Care	11,906	-	11,906	3%
- Information Technology	19,939	-	19,939	4%
- Other	14,194	-	14,194	3%
Debt Securities	-	-	-	0%
Private Equity	-	-	-	0%
Real Estate				
- UK Property	23,967	-	23,967	5%
- Overseas Property	-	-	-	0%
Investment Funds and Unit				
- Equities	181,406	-	181,406	39%
- Bonds	56,815	-	56,815	12%
- Hedge Funds	-	-	-	0%
- Commodities	-	-	-	0%
- Infrastructure	-	-	-	0%
- Other	103,717	-	103,717	22%
Derivatives:				
- Inflation	-	-	-	0%
- Interest rates	-	-	-	0%
- Foreign Exchange	-	-	-	0%
- Other	-	-	-	0%
Cash and Cash equivalents				
- All	2,345	-	2,345	0%
Total	470,228	-	470,228	100%

Reconciliation of Fair Value of scheme liabilities:

31 Mar 2017 £'000		31 Mar 2018 £'000
592,893	Opening Balance at 1 April	684,008
13,095	Current Service Costs	18,003
20,401	Interest Costs	17,080
3,117	Contributions from scheme participants	2,922
	Remeasurement gains and losses comprising of	
(8,568)	- Changes in demographic assumptions	0
105,455	- Changes in financial assumptions	(11,670)
(13,576)	- Other	(35)
461	Past Service Costs	148
(23,180)	Benefits paid	(21,737)
909	Effect of business combinations	0
(6,999)	Effect of settlements	0
684,008		688,719

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £688.7m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £218.5m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme 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.

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 Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hyman Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the Scheme as at 31 March 2016. The Scheme will have a full valuation again at 31 March 2019 which will affect the 2020/21 Statement of Accounts.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2016/17	2017/18	2016/17
Long-term expected rate of return on assets in the scheme:				
- Equity investments	2.6%	2.5%		
- Bonds	2.6%	2.5%		
- Property	2.6%	2.5%		
- Cash	2.6%	2.5%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.5	22.5		
- Women	24.8	24.8		
Longevity at 65 for future pensioners:				
- Men	24.2	24.2		
- Women	26.7	26.7		
Rate of inflation				
Rate of increase in salaries	2.8%	2.8%	2.8%	2.8%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%	2.6%	2.5%
Take-up of option to convert annual pension into retirement lump sum (pre April 2008 service)	50.0%	50.0%		
Take-up of option to convert annual pension into retirement lump sum (post april 2008)	75.0%	75.0%		

Sensitivity analysis

Change in assumption as 31 March 2018:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	61,206
0.5% increase in the Salary Increase Rate	1%	5,577
0.5% increase in the Pension Increase Rate	8%	55,031

The impact of a change in the financial assumptions used has been estimated and compared with the value of the scheme liabilities as at 31 March 2018 on varying bases. The approach taken is consistent with that adopted to derive the IAS 19 figure.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes it is estimated that a one year increase in life expectancy would approximately increase the Employer’s Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme’s assets consist of the following categories, by proportion of the total assets held:

2016/17 %		2017/18 %
58%	Equity investments	61%
5%	Property	5%
14%	Government Bonds	12%
22%	Other Investment Funds and Unit Trusts	22%
1%	Cash	0%
100%		100%

A more detailed analysis of the Councils Pension Fund investments can be found in the Council's Pension Fund accounts (see Pension Fund Note 14).

38. CONTINGENT LIABILITIES

Achieving for Children CIC
This company is owned by the Council, the London Borough of Richmond and the Royal Borough of Windsor & Maidenhead and has a pension deficit of £37.706m as at 31 March 2018. A portion of this deficit equal to the Council's 40% ownership share represents a contingent liability to the Council because in the event of failure of the company, RBK would be required to take back its share of the pension's deficit within AfC as joint owner of the company. This event would not impact on the Council's budget position but would be factored into existing pension fund deficit reduction strategies. The Council have made the judgement that this situation is not probable.

Tenant payments of water charges on HRA dwellings
The Council has for many years' collected water and sewerage charges in respect of council flats on behalf of Thames water, for which it receives a commission which covers the cost of collection plus an allowance for possible bad debts. The High Court has ruled that, under a similar arrangement, the London Borough of Southwark has for some years been overcharging its tenants for water and sewage services. The High Court's decision opens up the possibility of claims being brought by tenants for recovery of overpaid service charges against any Authority with similar arrangement to Southwark. The Royal Borough of Kingston is part of a collective agreement through the Local Government Association in preparation against any claim.

39. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments

COLLECTION FUND ACCOUNT

HOUSING REVENUE ACCOUNT

COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and to the Authority's own General Fund. The Collection Fund is consolidated into the accounts of the billing authority.

2016/17 £'000 CTAX	2016/17 £'000 NNDR	2016/17 £'000 TOTAL		2017/18 £'000 CTAX	2017/18 £'000 NNDR	2017/18 £'000 TOTAL
			Income			
(103,051)	0	(103,051)	Income from Council Tax	(108,303)	0	(108,303)
(103,051)	**0**	**(103,051)**		**(108,303)**	**0**	**(108,303)**
0	(84,250)	(84,250)	Income collectable from business ratepayers	0	(85,478)	(85,478)
0	(2,517)	(2,517)	Income collectable in respect of Business Rate supplements	0	(2,422)	(2,422)
0	**(86,767)**	**(86,767)**		**0**	**(87,900)**	**(87,900)**
			Expenditure			
			Council Tax Precepts and Demands			
84,921	0	84,921	- RBK Demand	90,425	0	90,425
16,655	0	16,655	- GLA Precept	17,138	0	17,138
101,576	**0**	**101,576**		**107,563**	**0**	**107,563**
			Business Rate			
0	41,618	41,618	- Payment to Government	0	28,110	28,110
0	16,647	16,647	- Major Precepting Authorities	0	31,517	31,517
0	24,971	24,971	- Payment to RBK	0	25,554	25,554
0	252	252	- Costs of Collection	0	243	243
0	**83,488**	**83,488**		**0**	**85,424**	**85,424**
			Business Rate Supplement			
0	2,510	2,510	- Payment to levying authority	0	2,415	2,415
0	7	7	- Administrative costs	0	7	7
0	**2,517**	**2,517**		**0**	**2,422**	**2,422**
			Impairment of Debts/Appeals			
18	8	26	- Write-offs of uncollectable amounts	40	13	53
0	2,185	2,185	- Appeals provision	0	(1,236)	(1,236)
0	(2,921)	(2,921)	- Refunds to successful Appeals	0	(3,088)	(3,088)
0	194	194	- Transitional Relief	0	(655)	(655)
232	1,774	2,006	- Allowance for impairment	275	33	308
250	**1,240**	**1,490**		**315**	**(4,933)**	**(4,618)**
			Contributions towards previous year's estimated Collection Fund Surplus			
1,849	(1,687)	162	- RBK	1,175	(1,628)	(453)
395	(1,125)	(730)	- GLA	230	(1,085)	(855)
0	(2,811)	(2,811)	- Government	0	(2,714)	(2,714)
2,244	**(5,623)**	**(3,379)**		**1,405**	**(5,427)**	**(4,022)**
1,019	**(5,144)**	**(4,126)**	**Movement on Fund Balance**	**980**	**(10,414)**	**(9,434)**

Using powers conferred by the Business Rates Supplements Act 2009, the Greater London Authority (GLA) set a business rates supplement of 2p in the £ rateable value for all non-domestic properties in its area with a rateable value of more than £70,000. The Supplement is used to contribute towards the financing of the Crossrail Project. The Council collected the supplement from ratepayers in the Borough, and will pay this over to the GLA. The amount paid to the GLA in 2017/18 was £2.42m (£2.51m was also paid in 2016/17). The movement on the Non-domestic rate Collection Fund is mainly due to the reduction of provision for outstanding appeals.

NOTES TO THE COLLECTION FUND ACCOUNT

1. INCOME FROM COUNCIL TAX

Council Tax income is the amount payable by Council Tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2017/18 it was calculated as follows:

Tax band	Valuation Band values	Ratio to band D	Actual number	Adjusted number	Band D equivalent
A	Values up to £40,000	6/9	574	194	130
B	Values from £40,001 to £52,000	7/9	3,179	1,838	1,430
C	Values from £52,001 to £68,000	8/9	14,973	10,391	9,236
D	Values from £68,001 to £88,000	9/9	20,031	16,015	16,015
E	Values from £88,001 to £120,000	11/9	14,571	12,851	15,707
F	Values from £120,001 to £160,000	13/9	8,258	7,469	10,789
G	Values from £160,001 to £320,000	15/9	4,075	3,835	6,391
H	Values above £320,000	18/9	961	906	1,811
			66,622	53,499	61,509
	Estimated collection rate for 2017/18	99.20%			61,017
	Contributions in lieu (MoD properties)				186
	Tax Base for 2017/18				61,203

2. NON – DOMESTIC RATES

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government.

Under the business rates retention scheme, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors. The distribution rates have changed in 2017/18 and they are as follows:

RBK	-	30%
Greater London Authority	-	37%
Central Government	-	33%

The total non-domestic rateable value at year-end was:

31 Mar 2017 £'000		31 Mar 2018 £'000
197,700	Total non-domestic rateable value at year-end	213,993
2016/17 p		2017/18 p
49.7	NNDR Multiplier for year	47.9
48.4	NNDR Multiplier for small businesses for year	46.6

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA. Appeals are charged and provided for in proportion to the precepting shares. The total provision charged to the collection fund for 2017/18 has been calculated at £1.659m (£5.983m in 2016/17) with RBK's share totalling £0.498m (£1.795m in 2016/17).

3. PRECEPTS AND DEMANDS

The Greater London Authority (GLA) levies a precept upon the Council's Collection Fund based upon the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London, the London Legacy Development Company (Queen Elizabeth Olympic Park), the Old Oak Common, Park Royal Development Corporation and the core GLA functions.

4. COLLECTION FUND BALANCE

A proportion of the Collection Fund balance above is properly attributable to the Greater London Authority and Central Government and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Balance Sheet with the remainder treated as a debtor.

2016/17 *£'000 CTAX*	**2016/17 *£'000 NNDR***	**2016/17 *£'000 TOTAL***		**2017/18 *£'000 CTAX***	**2017/18 *£'000 NNDR***	**2017/18 *£'000 TOTAL***
(2,391)	7,996	5,605	Balance brought forward	(1,372)	2,851	1,479
1,019	(5,145)	(4,126)	Movement in year	980	(10,414)	(9,434)
(1,372)	**2,851**	**1,479**	Balance carried forward	**(392)**	**(7,563)**	**(7,955)**

The surplus on the Collection Fund Balance relates to:

RBK	- (£2.597m): Council tax – (£0.328m); NNDR – (£2.269m)
Greater London Authority	- (£2.424m): Council tax – (£0.064m); NNDR – (£2.360m)
Central Government	- (£2.934m): (NNDR - £2.934m)

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing expenditure – management, maintenance, rent rebates, and capital financing costs and how these are met from rents, and other income. The account is required to be self-financing, and cannot be subsidised by the General Fund.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

2016/17 £'000		2017/18 £'000
	Expenditure	
4,688	Repairs and maintenance	4,757
10,309	Supervision and management	11,846
60	Rents, rates, taxes and other charges	75
1,008	Special services	482
8,613	Depreciation and impairment of non-current assets	9,029
(14,230)	HRA Property Revaluations	(11,935)
15	Debt management costs	15
278	Movement in the allowance for bad debts	(19)
50	Other revenue expenditure funded from capital under statute	50
10,792	*Total Expenditure*	14,300
	Income	
(27,514)	Dwelling rents	(27,324)
(391)	Non-dwelling rents	(488)
(1,994)	Charges for services and facilities	(2,431)
(1,192)	Leaseholder charges for services and facilities	(1,221)
(635)	Contributions towards expenditure	(689)
(31,726)	*Total Income*	(32,153)
(20,934)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(17,853)
190	HRA services' share of Corporate and Democratic Core	189
(20,744)	Net Cost for HRA Services	(17,664)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(3,660)	Gain or (loss) on sale of HRA non-current assets	(3,080)
4,656	Interest payable and similar charges	4,607
(63)	Interest and investment income	(70)
392	Net interest on the net defined benefit liability	385
196	Income, expenditure and changes in the fair values of investment properties	(159)
(203)	Capital grants and contributions receivable	0
(19,427)	(Surplus) or deficit for the year on HRA services	(15,980)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £'000		2017/18 £'000
(4,267)	Balance on the HRA at the end of the previous year	(5,417)
(19,427)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement (MIRS)	(15,980)
18,277	Adjustments between accounting basis and funding basis under statute (see Notes 8 - Notes to Financial statements)	15,213
(1,150)	Net (increase) or decrease before transfers to or from reserves	(767)
0	Transfers (to) or from reserves	0
(1,150)	(Increase) or decrease in year on the HRA (MIRS)	(767)
(5,417)	Balance on the HRA at the end of the current year	(6,184)

Note 8 to the Main Statements provide details of the adjustments between the accounting and funding basis under statute affecting the HRA.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council has overall responsibility for managing the housing stock. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents; for this purpose three bed spaces equals one dwelling.

31 Mar 2017 no.		31 Mar 2018 no.
	Flats	
898	- low rise (up to 2 storeys)	893
2,032	- medium rise (3-5 storeys)	2,018
428	- high rise (6+ storeys)	427
3,358	Total Flats	3,338
1,216	Houses and Bungalows	1,226
31	Equivalent number of dwellings for multi-occupied premises (hostels)	31
22	Shared Ownership	20
4,627	Total Stock (all dwellings)	4,615

2. STOCK VALUATION

The net Balance Sheet value of the land, houses and other assets within the HRA is as follows:

2016/17 *£'000*		2017/18 *£'000*
352,656	Council dwellings	370,858
16,445	Other land and buildings	17,496
679	Investment properties	801
369,779		389,155
1,377,685	Vacant possession value of dwellings within the authority's HRA as at 31 March in the financial year	1,445,988

The valuation of stock is in accordance with the Department for Communities and Local Government (DCLG) guidance entitled *Guidance on Stock Valuation for Resource Accounting.* The basis for valuation for operational property is Existing Use Value for non-housing property and Existing Use Value for Social Housing for housing property. The DCLG prescribes that the Existing Use Value for Social Housing should be 25% of the Existing Use Value. The variance between the Balance Sheet Value and the Vacant Possession value of the dwellings shows the economic cost to Government of providing council housing at less than open market rents.

3. MAJOR REPAIRS RESERVES

This reserve is credited with the depreciation charged to the HRA each year plus an adjustment to ensure the net credit in the year equals the Major Repairs. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

2016/17 *£'000*		2017/18 *£'000*
(0)	Balance brought forward	(0)
	Transactions with HRA Income & Expenditure Statement	
	Depreciation of HRA assets	
(8,514)	Contribution to Major Repairs Reserve	(8,930)
	Adjustments between accounting and funding basis	
8,514	Capital expenditure charged against HRA balances	8,930
(0)		(0)

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure amounted to £17.54m (£11.48m in 2016/17). The following summary shows how this was funded:

2016/17 £'000		2017/18 £'000
	Capital Expenditure during the financial year:	
11,427	- Houses	16,143
0	- Intangible Assets	75
0	- Other Property	1,267
50	- Revenue expenditure funded by capital under statute	50
11,477	Total Capital Expenditure	17,535
	Funded by:	
0	- Borrowing	(1,324)
(120)	- Government Grant	(83)
(1,819)	- Capital Receipts Reserve	(6,113)
(1,023)	- Revenue Contributions	(1,084)
(8,514)	- Major Repairs Reserve	(8,930)
(11,477)	Total Capital funding	(17,535)

5. CAPITAL RECEIPTS

During the year the following capital receipts from disposals were received. All disposals were the result of the sale of Council Dwellings

2016/17 £'000		2017/18 £'000
(6,785)	Balance brought forward	(10,404)
	Transactions with Comprehensive Income & Expenditure Statement	
	Adjustments between Accounting Basis and Funding Basis	
(6,231)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,000)
	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	
1,819	Use of capital receitps to finance capital expenditure	6,113
97	Contribution towards administrative cost of non-current asset disposals	66
696	Financing of payment to Government Capital Receipts Pool	690
(10,404)		(8,535)

6. DEPRECIATION AND IMPAIRMENT

The total charge for depreciation within the Authority's HRA is shown below:

2016/17 £'000		2017/18 £'000
7,876	Council dwellings	8,375
593	Other land and buildings	509
46	Vehicles, plant, furniture and equipment	46
8,514		8,930

The HRA split of assets between operational and non-operational is detailed in the Accounting Polices, Note 1, policy (xvi).

7. RENT ARREARS AND BAD DEBT PROVISIONS

Accumulated arrears for rents due to the Council from tenants in respect of dwellings and other property managed within the housing revenue account. (It excludes rents collectable in respect of non HRA properties accounted for the General Fund).

31 Mar 2017 £'000		31 Mar 2018 £'000
3,440	Gross rent arrears	3,240
(1,953)	Provision for bad & doubtful debts	(1,881)
1,487		1,359

8. IAS19 RETIREMENT BENEFITS

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs, interest costs and expected return on assets. To ensure that there is no net effect on the HRA, these entries are reversed out and replaced by employers' contributions payable by means of an appropriation to the Pensions Reserve in the Movement on the Housing Revenue Account Statement. HRA share of contributions to/from the Pension Reserve has been calculated at 5.6% of the Authority's total contribution – being the proportion of total employees pay met from the Housing Revenue Account.

Note 37 to the Main Financial Statements provides further details:

2016/17 £'000		2017/18 £'000
	Transactions with Comprehensive Income & Expenditure Statement	
	Adjustments between Accounting Basis and Funding Basis	
(1,170)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 8)	(1,617)
691	Employer's pensions contributions and direct payments to pensioners payable in the year	790
(479)		(827)
	Other income & expenditure	
392	Pensions interest cost and expected return on pensions assets	385
(88)		(442)

GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVE STATEMENT

2017/18	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total reserves of the authority	Authority's share of AfC Reserves	Total reserves
	Notes	*23*	*9*	*23*	*HRA3*	*23*	*23*		*24*			
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance as at the beginning of the reporting period		**(8,018)**	**(25,862)**	**(5,417)**	**0**	**(10,410)**	**(4,909)**	**(54,615)**	**(362,133)**	**(416,750)**	**15,094**	**(401,656)**
(Surplus) or deficit on the provision of services (accounting basis)	CIES	12,429	0	(15,980)	0	0	0	(3,551)	0	(3,551)	1,045	(2,506)
Other comprehensive income and expenditure		0	0	0	0	0	0	0	(15,913)	(15,913)	2,555	(13,358)
Total comprehensive income and expenditure		12,429	0	(15,980)	0	0	0	(3,551)	(15,913)	(19,465)	3,600	(15,865)
Net increase or decrease before transfers (group accounts only)		12,429	0	(15,980)	0	0	0	(3,551)	(15,913)	(19,465)	3,600	(15,865)
Adjustments between accounting basis and funding basis under regulations	8	(7,623)	0	15,213	0	(7,467)	78	201	(201)	0	0	0
Net (increase) or decrease before transfers to earmarked reserves		4,807	0	(767)	0	(7,467)	78	(3,350)	(16,115)	(19,465)	3,600	(15,865)
Transfers to/from earmarked reserves	9	(8,408)	8,408	0	0	(0)	0	(0)	0	0	0	0
(Increase) or decrease in year		(3,601)	8,408	(767)	0	(7,468)	78	(3,350)	(16,115)	(19,465)	3,600	(15,865)
Balance as at the end of the current reporting period		**(11,619)**	**(17,454)**	**(6,184)**	**0**	**(17,878)**	**(4,831)**	**(57,966)**	**(378,249)**	**(436,215)**	**18,694**	**(417,521)**

The Council's share of the loss generated by AfC in 2017/18 is accounted against Usable Reserves in the Council's Group Movement in Reserves Statement

2016/17

	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total reserves of the authority	RBK share of the reserves of Achieving for Children (AfC)	Total reserves
		23	*9*	*23*	*HRA3*	*23*	*23*		*24*			
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance as at the beginning of reporting period		**(8,018)**	**(33,165)**	**(4,267)**	**0**	**(6,785)**	**(2,966)**	**(55,200)**	**(407,827)**	**(463,027)**	**8,756**	**(454,271)**
(Surplus) or deficit on the provision of services (accounting basis)	CIES	30,588	0	(19,427)	0	0	0	11,161	0	11,161	1,024	12,185
Other comprehensive income and expenditure		0	0	0	0	0	0	0	35,116	35,116	5,314	40,430
Total comprehensive income and expenditure		30,588	0	(19,427)	0	0	0	11,161	35,116	46,277	6,338	52,615
Net increase or decrease before transfers (group accounts only)		30,588	0	(19,427)	0	0	0	11,161	35,116	46,277	6,338	52,615
Adjustments between accounting basis and funding basis under regulations	8	(23,289)	0	18,277	0	(3,625)	(1,940)	(10,577)	10,577	0	0	0
Net (increase) or decrease before transfers to earmarked reserves		7,299	0	(1,150)	0	(3,625)	(1,940)	584	45,693	46,277	6,338	52,615
Transfers to/from earmarked reserves	9	(7,299)	7,303	0	0	0	(4)	0	0	0	0	0
(Increase) or decrease in year		0	7,303	(1,150)	0	(3,625)	(1,944)	584	45,693	46,277	6,338	52,615
Balance as at the end of the current reporting period		**(8,018)**	**(25,862)**	**(5,417)**	**0**	**(10,410)**	**(4,909)**	**(54,615)**	**(362,133)**	**(416,750)**	**15,094**	**(401,656)**

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Gross Expenditure 2016/17	Gross Income 2016/17	Net Expenditure 2016/17		Notes	Gross Expenditure 2017/18	Gross Income 2017/18	Net Expenditure 2017/18
£'000	*£'000*	*£'000*			*£'000*	*£'000*	*£'000*
83,374	(24,555)	58,819	Adult social care and Health		81,482	(26,140)	55,342
70,003	(24,055)	45,948	Learning and Children's Services		71,090	(25,968)	45,122
59,521	(52,665)	6,856	Learning and Children's Services (schools)		62,978	(57,479)	5,498
78,866	(47,092)	31,774	Place		76,121	(45,639)	30,482
63,287	(52,763)	10,524	One Council Services		67,447	(53,869)	13,578
322	(143)	179	Neighbourhoods		204	(141)	63
2,296	(451)	1,845	Our Kingston Services		1,908	(14)	1,894
70,884	(77,197)	(6,313)	Other Corporate Services		76,450	(78,171)	(1,721)
6,877	(27,622)	(20,744)	HRA		10,725	(28,389)	(17,664)
435,429	(306,542)	128,887	**Cost of services**		448,404	(315,809)	132,594
		15,080	Other operating expenditure	*10*			(5,990)
		10,684	Financing and investment income and expenditure	*11*			10,515
		(143,490)	Taxation and non-specific grant income	*12*			(140,671)
		11,161	**(Surplus) or deficit on the provision of services**				(3,551)
		1,024	Surplus or deficit on Achieving for Children (AfC) based on equity share				1,045
		12,185	Group surplus or deficit				(2,506)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
	6,675		Surplus or deficit on revaluation of non-current assets	*24*		(435)	
	28,446		Remeasurement of net defined liability (asset)	*24*		(15,654)	
	5,314	40,435	AfC other comprehensive income and expenditure			2,555	(13,534)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
	(5)	(5)	Surplus or deficit on revaluation of available-for-sale financial assets	*24*		176	176
		40,430	Other Comprehensive Income and Expenditure				(13,358)
		52,615	**Total Comprehensive income and expenditure**				(15,865)

GROUP BALANCE SHEET

31 Mar 2017			31 Mar 2018
£'000		*Notes*	*£'000*
	Long term assets		
819,631	Property, plant and equipment	*13*	828,104
1,209	Heritage assets		1,209
23,433	Investment property	*14*	84,530
4,723	Intangible assets	*15*	5,139
425	Long term investments		5,229
7,555	Long term debtors	*16*	7,570
856,977	***Total long term assets***		**931,781**
	Current assets		
5,000	Asset held for sale	*20*	5,908
18,353	Short term investments		9,803
47	Inventories		46
43,914	Short term debtors	*18*	43,081
11,976	Cash and cash equivalents	*19*	21,164
79,290	***Total current assets***		**80,001**
	Current liabilities		
(6,005)	Short term borrowing	*16*	(5,774)
(49,928)	Short term creditors	*21*	(54,530)
(3,211)	Short term provisions	*22*	(2,633)
(1,634)	Grants receipts in advance		(3,537)
(60,778)	***Total current liabilities***		**(66,474)**
	Long term liabilities		
(63)	Long term creditors		(6)
(234,078)	Long term borrowing	*16*	(289,308)
(223,301)	Other long term liabilities	*37*	(218,500)
(1,296)	Long term provisions	*22*	(1,278)
(15,094)	RBK Share of AfC liability		(18,694)
(473,832)	***Total long term liabilities***		**(527,787)**
401,656	**Net Assets**		**417,521**
	Reserves		
(54,616)	Usable reserves	*23*	(57,966)
(362,133)	Unusable reserves	*24*	(378,249)
15,094	RBK Share of AfC reserves		18,694
(401,656)	**Total Reserves**		**(417,521)**

The Council's share of the loss generated by AfC in 2017/18 is accounted against Usable reserves in the Council's Group Balance Sheet.

GROUP CASHFLOW STATEMENT

2016/17 *£'000*		Notes	2017/18 *£'000*
12,185	Net (surplus) or deficit on the Provision of services		(2,506)
(50,308)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements *(Group cashflow note 2)*		(45,463)
13,077	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	*25*	27,739
(25,045)	Net cash flows from operating activities		(20,230)
14,760	Investing activities	*26*	5,034
2,016	Financing activities	*27*	6,008
(8,269)	Net movements in year excluding non-cash items		(9,188)
3,707	Cash and cash equivalents at the beginning of the reporting period		11,976
8,269	Net increase or (decrease) in cash and cash equivalents		9,188
11,976	Cash and cash equivalents at the end of the reporting period		21,164

NOTES TO THE ACCOUNTS

Notes to the Group Accounts are presented where it is deemed that extra disclosure supporting the Council's notes to the single entity accounts is appropriate. Where notes have not been replicated in the Group Accounts, it is because it is deemed that there is no material change between the Council's single entity notes and Group Accounts.

The single entity accounting policies are also the accounting policies of the group.

1. MAJOR SOURCES OF ESTIMATION UNCERTAINTY

- **Actuarial Valuation of Pensions Assets and Liabilities**

The total comprehensive income for the year 2017/18 contains accounting adjustments recognising the net liability from defined pensions plans. Pension assets and liabilities and associated costs are included in AfC's accounts based upon an actuarial estimate that has been calculated in line with methodologies prescribed in IAS19.

The actuarial assumptions are largely prescribed at any point and reflect the market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment); can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is place on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

Sensitivity analysis on changes to actuarial assumptions in AfC's accounts is shown below.

Change assumptions at 31 March 2018	Approx % increase to employer liability %	Approx monetary increase £000
0.5% decrease in real discount rate	13%	15,915
0.5% increase in the salary increase rate	3%	3,475
0.5% increase in the pension increase rate	10%	12,170

- **Going Concern**

Based on AfC's own disclosure and the Council's assessment, the Council considers AfC and the Group to be a going concern.

2. GROUP CASHFLOW STATEMENT – Non-Cash Adjustments

2016/17 £'000		2017/18 £'000
(27,295)	Depreciation	(25,944)
6,414	Impairment and downward valuations	3,547
(1,147)	Amortisations	(1,550)
(1,344)	(Increase)/decrease in impairment for bad debts	(853)
(7,116)	(Increase)/decrease in creditors	(6,448)
(650)	Increase/(decrease) in debtors	34
2	Increase/(decrease) in inventories	(1)
342	Movement in pension liability	(10,853)
(20,050)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,920)
	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	
855	- provisions	596
706	- movements in the value of investment properties	3,974
	- other movements	
(1,024)	Surplus or Deficit on AfC based on Equity share	(1,045)
(50,308)	*Total non-cash adjustments*	(45,463)

3. GROUP EXTERNAL AUDIT COSTS

The Council's share in respect of audit fees payable to Grant Thornton amounts to £0.014 and £0.003k for other audit services. This reflects a 40% share the Council's share of fees disclosed in AfC accounts.

PENSION FUND ACCOUNTS

Pension Fund Accounts– Explanatory Foreword 2017/18

The following sets out the statutory accounts of the Royal Borough of Kingston upon Thames Pension Fund and covers the period that runs from 1 April 2017 to 31 March 2018. The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The Accounts for the Pension Fund are audited separately from the Council's main accounts.

The Pension Fund is administered according to the Local Government Pension Scheme (LGPS) Regulations and covers employees of the Council and a number of other bodies – these are listed in Note 1 to the Accounts.

The Accounts of the Pension Fund are maintained separately from the Council's main accounts and consist of the Fund Account, Net Assets Statement and notes. The Pension Fund has been built up over many years by contributions from the member employers and participating employees to provide pensions and lump sum payments for members of the Fund upon reaching retirement age, and other benefits as specified. Every three years the appointed actuary values the Fund's assets to assess whether there are sufficient monies available to meet its current pension liabilities. Each employer's contribution to the Fund is based on these triennial valuations, whilst members pay a fixed percentage dependent on their earnings. The latest triennial valuation was carried out as at 31 March 2016.The results of this were published on 31 March 2017, and are reflected in employer contributions from 1 April 2017. Details of the valuation as at 31 March 2016, used in this set of accounts, can be seen in Note 18.

The Council is responsible for the investment of the assets of the Fund and agreeing the investment policy within the regulations covering the Local Government Pension Scheme. These duties are carried out by a panel of Councillors, the Pension Fund Panel, who are advised by the Director of Corporate & Commercial (S151 Officer), and the Fund's Professional Investment Adviser Aon Hewitt.

The value of the Fund's investment assets increased during the 2017/18 financial year, from £795m to £818m. Global equities reached record highs during the final quarter of 2017, which helped drive the Fund's investments to £847m. However, they declined in the first quarter of 2018, as markets suffered a setback, with volatility picking up sharply from low levels.

The arrangements regarding teachers' pensions and NHS pensions are different, as they are not part of the RBK Pension Fund. Teachers' pensions are within a national scheme overseen by the Teachers' Pensions Agency which is responsible for administering and paying teachers' pensions. NHS Pensions are also within a national scheme overseen by the NHS Business Services Authority.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The statutory Chief Finance Officer was the Director of Corporate & Commercial (S151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of Director of Corporate & Commercial (S151 Officer)

The Director of Corporate & Commercial (S151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts Director of Corporate & Commercial (S151 Officer) has:

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Director of Corporate & Commercial (S151 Officer) has also:

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

CERTIFICATE OF THE DIRECTOR OF CORPORATE & COMMERCIAL (S151 OFFICER)

I certify that the Pension Fund Statement of Accounts set out on pages 121 to 150 present a true and fair view of the financial position of the Pension Fund as at 31 March 2018 and its income and expenditure for the year then ended.

Sarah Ireland
Director of Corporate & Commercial (S151 Officer)
31 July 2018

NET ASSETS STATEMENT

31 March 2017 £000		Note	31 March 2018 £000
795,019	Investment Assets:	14	818,110
795,019	**Total Net Investments**		**818,110**
1,474	Current Assets	20	13,959
(4,740)	Current Liabilities	21	(61,791)
791,753	**Net Assets of the Fund available to fund benefits at the end of the reporting period**		**770,278**

FUND ACCOUNT

2016/17 £000s		Note	2017/18 £000s
	Dealings with members, employers and others directly involved in the Fund		
(37,948)	Contributions	7	(35,188)
(1,540)	Transfers in from other pensions funds	8	(15,405)
(39,488)			(50,593)
28,721	Benefits	9	29,786
2,492	Payments to and on account of leavers:	10	62,854
31,213			92,640
(8,275)	**Net (additions) / withdrawals from dealings with members**		**42,047**
4,295	Management expenses	11	4,855
(3,980)	**Net (additions)/withdrawals including fund management expenses**		46,902
	Returns on Investments		
(7,193)	Investment income	12	(14,681)
48	Taxes on income	13	241
(133,516)	(Profit) loss on disposal of investments and changes in the market value of investments	14a	(10,987)
(140,661)	**Net Return on Investments**		**(25,427)**
(144,641)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		21,475
(647,112)	Opening Net Assets of the Scheme		**(791,753)**
(791,753)	Closing Net Assets of the Scheme		**(770,278)**

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

a). General

The Royal Borough of Kingston upon Thames Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Kingston upon Thames The Scheme is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Royal Borough of Kingston upon Thames and the admitted and scheduled bodies in the Pension Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2015 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index (CPI).

The Fund is governed by:

- the Public Service Pensions Act 2013
- the LGPS Regulations 2014 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- the LGPS (Management and Investment of Funds) Regulations 2016

b). Funding

The Pension Fund is financed by contributions from employees, the Council, admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2018. Employers also pay contributions into the Fund based on triennial funding valuations. The last valuation was at 31 March 2016.
In 2017/18, employer contribution rates ranged from 15.0% to 26.2% of pensionable pay. Employer contribution rates payable from 1 April 2017 were set by the triennial valuation as at 31 March 2016, the results of which were published on 31 March 2017. The Fund excludes teachers, who have a separate Teachers Pensions Scheme managed by the Teachers Pensions Agency. The Fund also excludes those contributing to the NHS Pensions Scheme.

c). Membership

Although Scheme employers are required to auto enrol employees into the LGPS, membership of the LGPS is voluntary and employees are free to choose whether to remain in the Scheme or to "opt out" and make their own personal arrangements outside the Scheme. Organisations participating in the Royal Borough of Kingston Pension Fund include:

- Scheduled bodies which are local authorities or other similar bodies whose staff are automatically entitled to be members of the Fund

- Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector. This includes designated admitted bodies.

Member bodies at 31 March 2018 were are as follows:

Scheduled bodies	
Royal Borough of Kingston upon Thames	Southborough High School
Kingston University	St Agatha's School
Castle Hill Primary School	Tiffin Girls School
Coombe Boys School	Tiffin School
Coombe Girls School	Tolworth Girls School
Hollyfield School	Kingston Academy
Holy Cross School	Kingston Community School
Knollmead Primary School	Bedelsford School
Latchmere School	Dysart School
Richard Challoner School	St Philip's School
Admitted bodies	
Balance CIC	
London Grid for Learning	
Your Healthcare	
Engie	
NSL	
Admitted bodies (Designated bodies)	
Achieving for Children CIC	

The following scheduled body left the Fund during the year ended 31 March 2018: Kingston College.
The following admitted bodies left the fund during the year ended 31 March 2018: Kingston & Sutton Educational Partnership, Hillcroft College.
The following admitted body joined the fund during the year ended 31 March 2018: NSL

The following table summarises the membership numbers of the scheme:

31 March 2017		31 March 2018
28	Number of Employers with active members	26
	Active Members (Employees)	
2,988	Royal Borough of Kingston upon Thames	2,676
2,229	Other scheduled bodies	2,230
683	Admitted bodies	652
5,900		5,558
	Deferred Members	
3,412	Royal Borough of Kingston upon Thames	3,630
1,449	Other scheduled bodies	1,667
182	Admitted bodies	236
5,043		5,533
	Retired Members & Dependents	
3,239	Royal Borough of Kingston upon Thames	3,339
861	Other scheduled bodies	928
95	Admitted bodies	111
4,195		4,378
15,138	Total	15,469

d). Pension Fund Panel

The Council has delegated oversight of the Fund to the Pension Fund Panel who make recommendations on the investment policy most suitable to meet the liabilities of the Fund. The Panel is made up of five Members of the Council each of whom has voting rights.

The Panel considers the views of the Director of Corporate & Commercial (S151 Officer) and obtains, as necessary, advice from the Fund's appointed investment advisers, fund managers and actuary. The implementation of these decisions is delegated to the Director of Corporate & Commercial (S151 Officer)

e). Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2016 require administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The Panel approved its Investment Strategy Statement on 22 February 2017 which can be seen on the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

https://www.kingston.gov.uk/downloads/file/299/investment_strategy_statement

The Panel has delegated the management of the Fund's investments to external investment managers (see Note 14c) appointed in accordance with regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position as at 31 March 2018 .The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/18' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The Accounts have been prepared on a going concern basis.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not account for obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these Accounts.

Accruals Concept

Income and expenditure has been included in the Accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2018 and are determined as follows:

- all investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.
- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

Transfer Values

The pending bulk transfer payable to London Borough of Croydon in respect of the Household Refuse and Recycling Centre service, for 28 staff, estimated at £0.4m has been provided for in the Accounts. This was a small group of low paid staff who joined the LGPS between July 2013 and November 2015 so had short periods of pension accrual.

As at 31 March 2018, also provided for in the Accounts, were the following group transfers payable to the London Borough of Sutton:

- In respect of the transfer of the Shared Finance Service, 79 staff, estimated at £11.0m
- In respect of the transfer of the Customer Contact Centre, estimated at £3.5m

There are two further transfers payable provided for in the Accounts, as follows:

- To the London Boroughs of Wandsworth and Richmond upon Thames in respect of the transfer of Hillcroft College, estimated totalling £2.5m.
- To the London Pensions Fund Authority In respect of the transfer of Kingston College and the Kingston and Sutton Educational Partnership, estimated at £40.0m

There are two transfers receivable from the London Borough of Sutton, provided for in the Accounts:

- In respect of the transfer of the Environment Service, estimated at £5.9m
- In respect of the transfer of the Human Resources, estimated at £5.0m

On 1 April 2017, 79 staff transferred to the London Borough of Sutton in respect of the Shared Finance service. It is intended that the bulk transfer for this will be aligned with that for the transfer in respect of the Customer Contact Centre those transfers in the opposite direction, and netted off to minimise the need for both funds to liquidate investment assets (and hence avoid unnecessary costs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Augmentation is the cost of additional membership awarded by an employer. This was applied only by Kingston University who awarded up to two additional years membership to employees who leave under their early retirement scheme (£248,850 in 2017/18, £72,616 in 2016/17).

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in or out are accounted for when received or paid which is normally when the member liability is accepted or discharged. When judged as material, individual transfers are accrued for. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis.

c) Investment income

• Interest income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

• Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset

• Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the financial year is disclosed in the Net Assets Statement as a current financial asset.

• Movement in the net market value of investments

Changes in the net market value of investments (including investments properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump sum benefits include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Interest 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.

Investment income, Note 12, is shown gross of irrecoverable taxes deducted, which in 2017/18 totalled £240,650 (Note 13). The Fund is reimbursed VAT by HM Revenue and Customs, and the accounts are shown exclusive of VAT.

f) Management Expenses

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs.*

• Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension Administration Team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund

• Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from external consultants is included in investment management expenses

• Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

Net Assets Statement

g) Financial assets

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

h) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

i) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies as set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years**.** The methodology used is within accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised at Note 18.

This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions, illustrated in Note 19, depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

The actuarial assumptions are largely prescribed at any point and reflect the market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment); can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions for year ended 31 March 2018	Approximate % increase to Employer liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10%	116
1 year increase in member life expectancy	4%	47
0.5% increase in the salary increase rate	1%	15
0.5% increase in the pension increase rate	8%	95

6. EVENTS AFTER THE REPORTING PERIOD END

The Statement of Accounts was authorised for issue by the Director of Corporate & Commercial (S151 Officer) on 31 May 2018. At this date there was one non-adjusting event to report:

The latest value of the investments of the Fund show an increase from £818.110m to £838.022m (as valued at 30 April 2018). This is an increase of £19.912m or 2.45%.

7. CONTRIBUTIONS RECEIVABLE

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees' contributions.

2016/17 £000s		**2017/18 £000s**
	From Employers:	
	Royal Borough of Kingston upon Thames	
(5,884)	- Normal Contributions	(5,533)
(709)	- Capitalised Cost of Early Retirements	(841)
(6,719)	- Deficit Recovery Contributions	(4,871)
(13,757)	Scheduled Bodies	(13,528)
(1,302)	Admitted Bodies	(889)
(1,801)	Admitted Bodies (Designated Bodies)	(2,040)
(30,172)		(27,702)
	From Members:	
	Royal Borough of Kingston upon Thames	
(2,596)	- Normal Contributions	(2,415)
(141)	- Additional Contributions	(133)
(3,758)	Scheduled Bodies	(3,700)
(468)	Admitted Bodies	(351)
(813)	Admitted Bodies (Designated Bodies)	(887)
(7,776)		(7,486)
(37,948)		**(35,188)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2016/17 £000s		2017/18 £000s
(1,540)	Individual transfers	(4,255)
0	Group transfers	(11,150)
(1,540)		**(15,405)**

9. BENEFITS PAYABLE

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

2016/17 £000s		2017/18 £000s
23,554	Pensions	24,518
4,581	Commutation and Lump sum retirement benefits	4,574
586	Lump sum death benefits	694
28,721		**29,786**

2016/17 £000s		2017/18 £000s
20,134	Administering authority	19,947
7,270	Scheduled bodies	8,031
1,317	Admitted bodies	1,808
28,721		**29,786**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17 £000s		2017/18 £000s
161	Refunds to members leaving service	223
400	Group transfers	57,000
1,931	Individual transfers	5,631
2,492		**62,854**

11. MANAGEMENT EXPENSES

2016/17 £000s		2017/18 £000s
565	Administration Expenses	605
206	Oversight and Governance	168
21	Audit Fees	21
3,503	Investment Management Expenses & transaction costs	4,061
4,295		**4,855**

11a. INVESTMENT MANAGEMENT EXPENSES

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

2016/17 £000s		2017/18 £000s
3,272	Management Fees	3,617
4	Performance Fees	32
41	Custody Fees	66
186	Transaction Costs	346
3,503		**4,061**

12. INVESTMENT INCOME

2016/17 £000s		2017/18 £000s
(4,291)	Equity Dividends	(4,184)
(2,905)	Pooled Investments	(10,464)
3	Interest on Cash Deposits	(4)
0	Class Action Income	(29)
(7,193)	**Total before Taxes**	**(14,681)**

13. TAXES ON INCOME

2016/17		2017/18
47	Witholding tax - equities	72
1	Witholding tax - pooled	169
48		**241**

14. INVESTMENT MANAGEMENT ARRANGEMENTS AND ANALYSIS OF INVESTMENTS

The Fund's investments are managed by nine investment managers. The Fund's longest standing manager is UBS, appointed in 2007, who retain approximately 4.95% of the Fund in a property portfolio. Since then, as a result of high level investment strategy reviews:

- In September 2009, the Panel appointed three active equity managers and an active corporate bonds manager.
- In June 2013, to reduce the Fund's exposure to the potential impact of rising bond yields (and hence falling underlying asset values), one third of the Fund's bond allocation was moved to a total return bond mandate (managed by the existing corporate bond manager).
- In January 2014, to reduce the potential volatility of the Fund's investments, whilst maintaining an appropriate level of return, an allocation to Diversified Growth Funds (DGF) was approved, and two managers using different approaches were appointed.
- In October 2017, to ensure the Fund's investment strategy continued to be appropriate in the context of the Fund's actuarial position, the Panel appointed another two DGF managers in October 2017, which also adopt different approaches.

The Government is requiring LGPS funds to work towards pooling the bulk of their investment assets to reduce investment management costs and increase funds' ability to access different asset classes. The RBK Fund has joined the London Collective Investment Vehicle (CIV).

In October 2017, funds were dis-invested from Standard Life and Fidelity in favour of two further investment managers appointed prior, Baillie Gifford and Ruffer, to manage Diversified Growth Funds under the London CIV.
All of the investment managers have written agreements with the Council in respect of the services they provide. The Financial Services Authority also regulates them in carrying on investment management business. They are entitled, at their discretion, to manage the assets of the Scheme by buying and selling investments in order to seek to achieve their specific objectives within the agreed investment guidelines and regulations. When choosing investments, they must have regard to the need for diversification of investments and the overall suitability of those investments to the Scheme. In managing the portfolio, they aim to attain a level of performance based on a benchmark return.

The management fees charged by the fund managers are mainly calculated on a sliding scale, based on the value of the funds managed at the end of each quarterly period.

INVESTMENTS

Market Value at 31 March 2017 £000	Analysis of Investments	Market Value at 31 March 2018 £000
	Equities Quoted:	
33,363	Consumer	31,061
22,250	Manufacturing	19,264
17,748	Energy & Utilities	14,590
35,771	Financial Institutions	32,767
24,137	Health & Care	20,815
40,766	Information Technology	35,395
28,035	Other	21,897
202,070		175,789
	Pooled Investment Vehicles:	
29,901	Property	40,497
283,612	Unitised Insurance Policies	293,332
0	Unit Trusts	70,430
268,069	Other Managed Funds	230,307
581,582		634,566
	Other Investment Balances	
150	London CIV	150
783,802	Total of Investments	810,505
1,201	Accrued Income	1,652
(513)	Outstanding Transactions	(146)
784,490		812,011
784,490	**Total Investment Assets**	**812,011**
	Cash held by Fund Managers:	
2,339	Sterling	3,155
4,050	Foreign Currency	2,944
4,140	Cash held internally by Kingston Pension Fund	0
10,529	**Total Cash Deposits**	**6,099**
795,019	Net Investment Assets	**818,110**

14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

2017-18	Value 31 March 2017	Purchases at Cost	Sales Proceeds	Change in Market	Value at 31 March 2018
Equities	202,070	122,174	(152,383)	3,928	175,789
Managed and Unitised Funds	581,582	139,725	(92,087)	5,346	634,566
Currency Contracts/Futures	0			0	0
Outstanding Traded Securities	(513)			367	(146)
London CIV	150			0	150
	783,289	261,899	(244,470)	9,641	810,359
Cash and cash equivalents	10,529			895	6,099
Investment income due	1,201			451	1,652
Totals	795,019	261,899	(244,470)	10,987	818,110

2016-17	Value 31 March 2016	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
Equities	157,205	100,402	(98,367)	42,830	202,070
Managed and Unitised Funds	486,306	150,550	(145,592)	90,318	581,582
Currency Contracts/Futures	0			0	0
Outstanding Traded Securities	(565)			52	(513)
London CIV	150			0	150
	643,096	250,952	(243,959)	133,200	783,289
Cash and cash equivalents	6,146			316	10,529
Investment income due	976				1,201
Totals	650,218	250,952	(243,959)	133,516	795,019

14b. ANALYSIS OF INVESTMENTS

Market Value at 31 March 2017 £000		Market Value at 31 March 2018 £000
	Equities	
	UK	
150	London CIV	150
226,805	Quoted	9,425
	Overseas	
23,864	Quoted	211,734
250,819		221,309
	Pooled funds	
	UK	
99,279	Fixed income unit trust	101,542
171,865	Other managed funds	168,274
0	Unit trusts	70,430
	Overseas	
159,598	Fixed income	168,952
69,954	Hedge funds overseas equity	35,616
500,696		544,814
29,901	Pooled property investments	40,497
12,915	Cash deposits	9,984
1,201	Investment income due	1,652
(513)	Outstanding transactions	(146)
13,603		11,490
795,019	**Net Investment Assets**	**818,110**

14c. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of the investment assets under the management of each fund manager as at 31 March 2018 is shown below.

2017 £000s	%		2018 £000s	%
4,140	0.52	Internally Invested Funds	0	0.00
32,442	4.08	UBS Global Asset Management	43,860	5.36
231,341	29.10	Fidelity Pensions Management	202,871	24.80
159,598	20.07	Threadneedle Asset Management	168,951	20.65
118,567	14.91	Schroder Investment Management	116,997	14.30
99,279	12.49	Janus Henderson Investors	101,542	12.41
69,954	8.80	Standard Life	35,616	4.35
79,548	10.01	Pyrford International *	77,694	9.50
0	0.00	Baillie Gifford*	35,639	4.36
0	0.00	Ruffer*	34,790	4.25
150	0.02	London CIV	150	0.02
795,019	**100.00**		**818,110**	**100.00**

*Managed via London CIV

In addition to individual performance benchmarks for each fund manager, the Pension Fund's overall performance is analysed relative to the Pensions and Investments Research Consultants Ltd (PIRC) Local Authority Universe which is representative of the UK Local Authority Pension Fund peer group. During 2017/18, the Pension Fund Panel reviewed in detail the performance of the investment managers at two all day meetings. At these two meetings the managers presented to the Panel to account for their performance against their respective set mandate benchmarks. In addition, at its four quarterly meetings the Panel monitored the activity and performance of the various fund managers. Fund investments performance showed a one year positive return of 3.1% compared with the average return for the PIRC Local Authority Universe of 4.5%. The annualised return over three years for the fund was 7.5%, a relative underperformance of 0.8% against the PIRC Local Authority Universe average return of 8.3%. The market value of the Fund's investment assets increased from £795.019m as at 31 March 2017 to £818.110m as at 31 March 2018.

Major investments

The following investments represent more than 5% of the net investment assets of the scheme: (£818.110m)

Market Value 31 March 2017 £000	as % of investment assets 31 March 2017	Major Investments	Market Value 31 March 2018 £000	as % of investment assets 31 March 2018
159,598	20.07	Threadneedle Asset Management Ltd TPN Global Equity Fund	168,951	20.65
118,567	14.91	Schroder Inv. Management Ltd QEP Global Active Value Fund	116,997	14.30
62,968	7.92	Janus Henderson Investors Ltd All Stocks Credit Fund	101,542	12.41
79,548	10.01	Pyrford Global Total Return Fund *	77,694	9.50

*Managed via London CIV

15. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

15a. Fair value – hierarchy

Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed either as Level 1 or Level 2, as set out in the tables below, and are described as follows:

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

Level 2
Assets and liabilities at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Values at 31 March 2018	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets at fair value through profit and loss	344,482	465,873	0	810,355
Non-financial Assets at fair value through profit and loss	0	0	0	**0**
Financial liabilities at fair value through profit and loss	0	0	0	**0**
Net Investment assets	**344,482**	**465,873**	**0**	**810,355**

Values at 31 March 2017	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	713,698	69,954	0	783,652
Non-financial Assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Net Investment assets	**713,698**	**69,954**	**0**	**783,652**

16. Financial instruments

16a. Classification of financial instruments

Accounting policies describe how different classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial instruments, by category and net assets statement heading.

No financial assets were re-classified during the financial year.

At 31 March 2017				At 31 March 2018		
Fair value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
202,070			Equities	175,789		
551,681			Pooled Investments	594,069		
29,901			Pooled Property Investments	40,497		
	10,529		Cash Deposits		6,099	
	1,474		Debtors		13,959	
	838		Other Investment balances		1,656	
			Financial Liabilities			
		(4,740)	Creditors			(61,791)
783,652	**12,841**	**(4,740)**		**810,355**	**21,714**	**(61,791)**

16b. Net gains and losses on financial instruments

At 31 March 2017 '000		At 31 March 2018 '000
	Financial Assets	
133,200	Designated at fair value through profit and loss	10,092
316	Loans and receivables	895
133,516		**10,987**

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Pension Fund's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.
- re-financing risk – the possibility that the Pension Fund might be required to sell a financial instrument below its purchase price.

Overall Procedures for Managing Risk

The Pension Fund'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 in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the, Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Investment Strategy Statement;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Panel who monitor investment performance and compliance quarterly, including the internal control arrangements of external fund managers and the custodian.

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.
The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

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 Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short, is unlimited.

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

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset type	Values as at 31 March 2018 £'000	Change +/- '%	Value on increase £'000	Value on decrease £'000
Global Equities	483,117	17.9	569,595	396,639
Diversified Growth	183,739	15.8	212,770	154,708
Total Bonds	94,131	10.2	103,732	84,530
Cash	16,476	0.0	16,476	16,476
Property	40,497	14.3	46,288	34,706
London CIV	150	0.0	150	150
Total	818,110		949,011	687,209

Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.
The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10.0%.

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

The following table summarises the Fund's currency exposure as at 31 March 2018 along with the impact that a 10.0% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would have on the values.

Asset type	Values as at 31 March 2018 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas Equities	449,551	494,506	404,596
Overseas Corporate Bonds	57,221	62,943	51,499
Overseas Diversified Growth Fund	106,046	116,651	95,441
Total	612,818	674,100	551,536

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to £UK, over the three years to March 2018. Because currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

b) Credit risk

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

The Pension Fund has selected bond managers who have an investment strategy which requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in a special interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case to meet the pensioner payroll costs; and also cash to meet investment commitments. The Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored.

The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access special interest bearing account maintained by Council officers. The remainder is invested in fixed term deposits taking into account likely future cash flows. Surplus funds are invested externally with fund managers. In the event of a funding shortfall the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

d) Refinancing risk

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

18. FUNDING ARRANGEMENTS

Actuarial Position

Rates of contributions paid by the participating Employers during 2017/18 were based on the actuarial valuation carried out as at 31 March 2016, by the Fund's actuary, Hymans Robertson.

The following table shows a summary of the results of the valuation:

Past Service Position	31 March 2016 £m
Past Service Liabilities	794
Market Value of Assets	649
Surplus (Deficit)	(145)
Funding Level	81.7%

Financial Assumptions	31/03/2016	
	Nominal	Real
Discount Rate	4.0%	1.9%
Salary Increases*	2.6%	0.5%
Pension Increases	2.1%	-

**Excluding promotional increases.*

The majority of employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. Their contribution rates are calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of employers using the projected unit actuarial method.

The rates of contributions payable by each participating employer over the period 1 April 2017 to 31 March 2020 are set out in a certificate dated 31 March 2017 which is appended to the actuary's report on the actuarial valuation. For those bodies which have become separate employers within the Fund since the valuation date, their contributions rates have been calculated individually and certified by the Fund's actuary.

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2018, of the actuarial valuation of promised retirement benefits as set out in IAS26, and that the actuarial present value should be calculated on an IAS 19 basis.

IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the International Financial Reporting Standards (IFRS).

31 March 2017 £m		31 March 2018 £m
(1,148)	Actuarial Fair Value of Promised retirement benefits	(1,173)
792	Net Fund Assets available to fund benefits	770
(356)		**(403)**

20. CURRENT ASSETS

31 March 2017 £000		31 March 2018 £000
86	HMRC Tax	86
1,228	Contributions due	1,121
158	Other debtors	1,366
0	Group Transfers	10,900
2	Cash	486
1,474		**13,959**

21. CURRENT LIABILITIES

31 March 2017 £000		31 March 2018 £000
0	Fund Custodian Fees	(9)
(520)	Fund Managers' Fees	(602)
(212)	Benefits Payable	(609)
(437)	Transfer Values	(57,054)
(3,571)	Other Creditors	(3,517)
(4,740)		**(61,791)**

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

A number of active Fund members have elected to pay additional voluntary contributions to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that these are not paid into the Pension Fund.

The total AVCs paid by members in 2017/18 were £79,104 (£94,975 in 2016/17), as below:

2016/17 £000		2017/18 £000
0.1	Equitable Life	0.1
94.9	Aviva	79.0
95.0		**79.1**

These are invested with the Council's approved AVC providers and are a money purchase arrangement. At 31 March 2018, the total value of the AVC fund with Aviva was £953,410 (£964,322 at 31 March 2017) and with Equitable Life was £123,552 (£122,262 at 31 March 2017).

23. RELATED PARTY TRANSACTIONS

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2017/18 was £727,846 (£691,108 in 2016/17)

None of the Councillors voting on the Pension Fund Panel are members of the Pension Fund.
The Council has a significant interest in one designated body (Achieving for Children Ltd) which is within the Fund and it received £2.040m in employer contributions, deficit and early retirement costs from this body (£1.823m in 2016/17)

23a. KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel for the Pension Fund are the Head of Financial Services and the Assistant Director, Resources Directorate (shared Finance for the London Borough of Sutton and the Royal Borough of Kingston upon Thames). Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts, and are within scheme administration and investment management expenses as above. The total remuneration payable to the key management personnel is as follows:

31 March 2017 £000		31 March 2018 £000
33	Short - term benefits	27
2	Post - employment benefits	1
35		**28**

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no known contingent liabilities or contingent assets as at 31 March 2018. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

GLOSSARY OF TERMS

Accounting Period
The timescale during which accounts are prepared. Local Authority accounts have an overall accounting period of one year from 1 April to 31 March.

Accounting Policies
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Accounting Standards
A set of rules explaining how accounts are to be kept. By law, local authorities must follow ‘proper accounting practices’, which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

Accruals
This is the concept that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

Acquisitions
The Council spends funds from the capital programme to buy assets such as land and buildings.

Active Member
A member of an occupational pension scheme who is building up pensions benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Actuarial Valuation
Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund’s financial position and recommended employers’ contribution rates.

Actuary
An adviser on financial information and assumptions relating to the pension scheme.

Admitted Body
A body which can be admitted to the LGPS with the agreement of the Administering Authority, it must be non-profit-making and will normally be in receipt of a grant from either central or local government.

Agency Services
Services provided by or for another Local Authority or public body where the cost of carrying out the service is reimbursed.

Amortisation
The practice of reducing the value of assets to reflect their reduced value over time. The term means the same as depreciation, though in practice amortisation tends to be used for intangible assets.

Asset Register
A record of Council assets including land and buildings, housing, infrastructure, vehicles and equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is update annually to reflect new acquisitions, disposals, revaluations and depreciation.

Assets
Any item of economic value owned by an individual or corporation, especially that which could be converted to cash

Assets under Construction
These are assets under construction and are not yet available for use.

Balances
The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Housing Revenue Account balance and Schools reserves.

Balance Sheet
A Statement of the Council's assets and liabilities at 31 March (Balance Sheet date).

Budget
A forecast of the Council's planned expenditure; the level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

Business Rates
See Non-Domestic Rate (NDR)

Business Rate Supplement
The Business Rate Supplements Act 2009 enables levying authorities – county councils, unitary district councils and, in London, the Greater London Authority – to levy a supplement on Business Rates (NNDR) to support additional projects aimed at economic development of the area. In 2011/12 a Business Rate Supplement is being levied by the Greater London Authority in relation to the Crossrail project.

Capital Adjustment Account
This reserve contains the balance of depreciation against the Minimum Revenue Provision (MRP), additional debt repayments over the MRP, reserved capital receipts and usable capital receipts and grants etc. applied to meet capital expenditure.

Capital Contributions
Some capital schemes receive contributions from third parties that have an interest in supporting a capital scheme.

Capital Grants
Government departments and Transport for London (part of the Greater London Authority) support Council capital expenditure through capital grants that can be specific to a particular capital scheme or can be more general support to a particular policy programme or government initiative. These grants are used to finance the relevant element of capital expenditure to which the grant relates.

Capital Expenditure
Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as "capital" of it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Financing
This is funding for capital expenditure principally from borrowing, capital receipts, Grant funding and from revenue reserves.

Capital Financing Requirement
Each local authority has to calculate a number of indicators that help to determine whether the authority can maintain its borrowing within prudent and sustainable levels. One of the key indicators is the Capital Financing Requirement (CFR) that represents the Council's underlying need to borrow.

The Authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

Capitalisation
Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater that one year.

Capital Programme
A multi-year plan that identifies Capital projects and purchases. The Capital Programme provides a planned schedule for financial planning and is reviewed annually.

Capital Receipts
These are proceeds arising from the sale of fixed assets and repayments of capital grants and loans. They may be used to finance new capital expenditure or to repay outstanding loan debts as laid down in rules set by the government. The Authority also has flexibility for a time limited period to apply capital receipts to fund the revenue costs of transformation.

Cash & Cash Equivalents
Cash is represented by money held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)
This is the accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.

The Code
The Code provides guidance to all Local Authorities on how applying accounting standards for the production of the Statement of Accounts and outlines information that must be included. The Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Collection Fund
Local Authorities that are required by law to collect Council Tax and Business Rates must establish a Collection Fund that records the amounts collected from Council Tax and Business Rates separately from the Council's own accounts. The Collection Fund also shows payments made to the government and precepting authorities, and transfers to the Council's General Fund.

Community Assets
These are assets which the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal, for example parks and historic buildings.

Comprehensive Income and Expenditure Statement
A core financial statement that provides a summary of the resources generated and consumed by the Council in the year.

Contingent Assets
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future event not wholly within the Council's control

Contingent Liabilities
These are potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Comprehensive Income and Expenditure Statement.

Council Tax
A major source of income to the Council. It is levied on households within the Council's area based on property values and the proceeds are paid into the Collection Fund for distribution to precepting authorities, which are the Council and the Greater London Authority.

Creditors
These are amounts owed by the Council for goods and services supplied, but for which payment has not been made at the end of the financial year.

Current Assets
These are assets that will be consumed within the next accounting period (i.e. less than one year).

Current Liabilities
Those amounts which become payable or could be called upon in the next accounting period (i.e. less than one year).

Current Service Cost (Pensions)
The increase in the present value of the pension scheme's liabilities expected to arise from employee service in the current period.

Debtors
These are amounts owed to the Council but not received at the end of the financial year.

Dedicated Schools Grant (DSG)
The principal source of funding for schools and related activities in England.

Deferred Liabilities
Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Deferred Member
A member who is no longer active in the pension scheme but is not yet in receipt of a pension.

Defined Benefits Pension Scheme
Retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The scheme may be funded or unfunded.

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

Depreciation
This is the loss in value of a tangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes. Depreciation is a "non-cash" charge as it merely reflects accounting assessments of the loss in value.

Earmarked Reserves
These are amounts which are set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Emoluments
All sums paid to or receivable by an employee, and including sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and also the money value of any other benefits received other than in cash. Pension contributions payable by employees are excluded.

Equity
The capital of a company belonging to the ordinary shareholders who have voting rights allowing them to influence the management of the company.

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

Expenditure and Funding Analysis
This shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/ services /departments.

Fair Value
Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance and Operating Leases
These are financing arrangements with a third party. A finance lease substantially transfers all of the risks and rewards of ownership of a fixed asset to the lessee. Such assets have been valued and included under Fixed Assets in the Balance Sheet. With an operating

lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the relevant service account.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Fixed Interest Security
A security which yields fixed and regular income (interest).

Funding Basis
This refers to the Funding Basis under regulations. The Council is required to include several items in the Comprehensive Income and Expenditure Account under The Code that are not a charge to Council Tax payers (e.g., depreciation).

General Fund
The Council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

Going Concern
The Council's financial statements are prepared on a going concern basis; that is, the accounts are prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Government Grants
This is financial assistance by the government, inter-government agencies or similar bodies to an Authority, in return for compliance with certain conditions relating to the activities of the Authority.

Heritage Assets
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historic Cost
The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on the HRA from the General Fund.

IAS19
Accounting Standard requiring the recognition by an authority of the attributable share of the assets and liabilities of pension funds with which it is associated showing the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme, even though the fund retains title to the assets and the responsibility to pay pensions.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by a continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

International Financial Reporting Standards (IFRS)
The accounting standards adopted by the International Accounting Standards Board (IASB).

Intangible Assets
These are assets of value that do not have physical substance, for example software licences, franchises and patents. Expenditure incurred on these assets is capitalised at cost and charged to the Balance Sheet.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period, in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories
Inventories are materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of an Authority's ordinary business.

Investment Properties
Property that is held solely to earn rentals or for capital appreciation.

Levies
Payments to bodies such as the London Pensions Fund Authority or the Environment Agency. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

Liability
A financial obligation, debt, claim, or potential loss.

LOBO – Lenders option borrower option, usually a very long-term loan (40-70 years). The interest rate is initially fixed but the lender has the option to propose or impose on predetermined future dates. The borrower has the option to reject the proposed or imposed changes.

Long Term Borrowing
This is external borrowing for a period of one year or more. Temporary borrowing is defined as external borrowing for 364 days or less.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to the General Fund each year and set aside as provision for debt repayment, as required by the Statutory Guidance in Minimum Revenue Provision (2017)

Movement in Reserves Statement (MIRS)
A prime statement that draws together all the movement in both usable and unusable reserves.

Non-Domestic Rate (NDR)
The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office multiplied by a rate in the £ set by the government which is the same throughout the country.

Net Book Value (NBV)
An asset or liability's original book value net of any accounting adjustments such as depreciation.

Net Realisable Value
The open market value of the asset less the expenses to be incurred in realising the asset.

Outturn
This is the final expenditure and income in any financial year. Outturn reports usually compare the final net expenditure against the relevant annual budget.

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

Pooling Arrangements (capital receipts)
A proportion of "Right to buy" capital receipts from the sale of Council dwellings are paid to the Ministry of Housing, Communities and Local Government; the remaining element can be used to finance capital expenditure. Some additional receipts can be retained if used in line with specific government directions. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet events
Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precept
A precept is an amount which the Council is required to collect from Council Tax on behalf of other non-billing authorities, such as the Greater London Authority (GLA) in London or County Councils outside London, to finance its net expenditure.

Prior Year Adjustments
These are material adjustments, which are applicable to prior years arising from the correction of fundamental errors or inaccuracies. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision
This is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

Prudential Code
This is a code of practice agreed between central government and CIPFA for the Prudential Capital Finance System. The system allows local authorities to set their own borrowing limits based upon affordability, sustainability and prudence. Local authorities are required by legislation to have regard to the code.

Public Works Loan Board (PWLB)
A central government agency which provides long and medium term loans to local authorities at interest rates only slightly higher than those at which government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties
Two or more parties are defined to be related parties when at any time during the financial period concerned, one party has direct or indirect control or influence on the other party, for example;

The parties are subject to common control from the same source; or one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests. Or the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transaction
A related party transaction is the transfer of assets or performance of services by to or for a related party irrespective of whether a charge is made.

Reserves
The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

Revaluation Reserve
This reserve contains the balance on the revaluation of fixed assets and any subsequent movement in the current cost of assets arising from depreciation or disposals of those assets.

Revenue Expenditure
This is expenditure which is incurred on day to day running costs on recurring items involved in the delivery of services and is charged to the accounts within one financial year. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure funded by Capital under Statute (REFCUS)
Expenditure that may be classified under legislation as capital but does not result in the creation of a fixed asset on the Balance Sheet. This expenditure is generally charged to the relevant service revenue account in the year incurred with a corresponding credit to the Movement in Reserves Statement to ensure there is no cost to the General Fund.

Revenue Support Grant (RSG)
This is the main general grant paid by the government to the Council in respect of the revenue costs of providing all of its services. The amount of grant payable is based upon the government's assessment of the Council's needs taking into account its ability to raise income from Council Tax and its share of income from the NNDR national pool.

Scheduled Body
There are a number of employers who are required to provide membership of the Local Government Pension Scheme to all their employees. These employers are listed in a schedule that appears at the back of the Local Government Pension Scheme Regulations. Unlike admitted bodies, scheduled bodies cannot refuse membership of the Scheme to their employees

Section 151 Officer
Section 151 of the Local Government Act 1972 requires each local authority to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs. This officer is sometimes referred to as the Section 151 Officer.

Security
Any kind of transferable certificate of ownership.

Soft Loans
Loans made by the Authority at less than the prevailing market rate of interest. The Code requires the discounted interest rate to be recognised as a reduction in the Fair Value of the asset when measured for the first time and a charge to the Income & Expenditure Account to represent the interest forgone.

Statement of Investment Principles (SIP)
Trustees of Pension Funds are required to prepare and keep up to date this written statement to show the governance decisions on the investment of scheme assets.

Temporary Borrowing
This is defined as external borrowing for 364 days or less. Long-term borrowing is external borrowing for a period of one year or more.

Termination Benefits
Amounts payable to employees as a result of a decision by the Council to terminate an officer's employment prior to normal retirement age or an officer's decision to accept voluntary redundancy.

TUPE regulations
TUPE refers to the "Transfer of Undertakings (Protection of Employment) Regulations 2006" as amended by the "Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014".The TUPE rules apply to organisations of all sizes and protect employees' rights when the organisation or service they work for transfers to a new employer.

Unitised Fund
An investment vehicle whereby the contributions of a number of unit-holders are pooled and the total amount is then used to purchase assets such as shares, bonds, property and cash.

Useful life
The period over which the Council will derive benefits from the use of a fixed asset.

Valuation Bands
Currently for Council Tax purposes there are eight property valuation bands (Bands A to H) as set out in Part 1 of the Local Government Finance Act 1992. The amount each household pays depends upon which property band their home falls into. The property values are currently based upon property market values as at April 1991.

Write-offs
Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.

ROYAL BOROUGH OF KINGSTON UPON THAMES ANNUAL GOVERNANCE ASSURANCE STATEMENT FOR 2017/18

THE COUNCIL'S RESPONSIBILITY

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

In discharging its responsibility, RBK is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

RBK has approved and adopted a Local Code of Corporate Governance which was reviewed to bring it in line with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The Council's financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer.

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

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

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control. A copy of RBK's Code of Corporate Governance is on our website at https://www.kingston.gov.uk/downloads/file/862/code_of_corporate_governance

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the Council is directed, controlled, accounts to, engages with and leads Kingston's communities. 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, cost effective services.

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

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

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

THE GOVERNANCE FRAMEWORK

Following the May 2014 elections, a number of changes were made to the Council's formal Committee structure and the remit of the Audit Committee was broadened (to accord with CIPFA Best Practice guidance). In July 2015 further changes were made to the Council's Committee structure at which time the former Standards Committee was abolished and its responsibilities were incorporated into the remit of the renamed Audit, Governance and Standards Committee.

A wider review of the Council's governance arrangements was commenced during the year. This included work commissioned from INLOGOV at Birmingham University to look at the changing role of Members, and officers, as the Council moved towards becoming an 'enabling Council'. The outcome of the first phase of this work was reported to the Council in April 2017. A second phase of work was commissioned from INLOGOV which commenced during the summer along with a wider review of governance arrangements more generally.

The wider review was focussed particularly on the Council's formal decision-making processes and constitutional arrangements and included setting up a cross party Member working group to review governance against the CIPFA Solace framework. Areas identified for change included updating Contract Standing Orders and the Scheme of Delegation to reflect ongoing organisational change as well as reviewing thresholds and criteria for petitions and community call- ins, particularly in view of the impact of the development of social media. The working group agreed that the Council should become more agile with greater delegation to officers and Member focus on strategic matters. The first round of constitutional amendments went to Council on the 22 May 2018 approving the establishment of 5 Strategic Committees and an additional Scrutiny Panel which will consider Member and Community Call-Ins. Further amendments will go to Council in July and September 2018 with a more detailed review of governance arrangements looking at systems, processes, behaviours and culture during 2018/19.

Another aspect of the governance work undertaken during 2017/18 was an analysis of the purpose, role and remit of the 200 plus Member and officer bodies that were operating within RBK. As a result, a significant number were discontinued resulting in a considerable saving in officer time and greater clarity of roles, responsibilities and decisions. A change of administration following the May 2018 elections has seen the election of 30 new councillors. An extensive induction, training and support programme has been introduced for members and corporate priorities will be revised to align with the manifesto commitments of the new administration.

Also during the year, the Chief Executive's Direction of Travel proposals were finalised and progressively implemented on a phased basis. The proposals were designed to create a more networked and agile organisation better able to meet the challenges that the Council was facing. The first phase involved the redefining of the Strategic Leadership Team and the creation of four new Directorates: Growth, Communities, Adults and Corporate & Commercial. Four new Directors were in place by early April 2018. Children's Services continue to be delivered by Achieving for Children (AfC) the Community Interest Company established jointly by Kingston and Richmond Councils in 2014. Creation of the new Corporate and Commercial Directorate has strengthened emphasis on Governance with the creation of the new Assistant Director and Monitoring Officer role. The second phase involved the creation of a new team of eight Assistant Directors to create a strong and constructive leadership culture and an organisation that required less hands-on direction and management. Recruitment to those roles is well under way with some posts already filled. Phase 3 saw the creation of another new type of role, Corporate Head of Service, responsible for leading on key strategic outcomes, leading change and continuous improvement, and driving efficiency and productivity. This Phase will be implemented during 2018/19. Clearly there have been issues around management capacity during the year however this will be addressed through the recruitment process.

During 2017/18, the CEO has undertaken an organisational cultural inventory to understand more fully how managers and staff within RBK lead others and respond to that leadership. This tested both the impact of the culture on the performance of staff and services and the way management decisions are planned and taken. It also sought to identify the change in organisational culture that would impact most positively on future performance. The results have been used to design the Direction of Travel and complement the management structure and system changes, including the governance review work undertaken within 17-18.

The Council has undertaken a major review of Information Governance, Data Protection and Records Management in the Council over the last 12 months in advance of GDPR requirements. This has included:

- Creation of cross Council, Information Asset register - detailing all the information that the Council has with details of ownership and locations.
- Creation of cross Council, Data Retention and Disposal Schedules, linking the data with formal disposal schedules enabling the Council to better manage information.
- Using ISGB to create a culture of Information Governance across the Council
- Review and creation of a range of policies and process around data security to ensure compliance with GDPR.
- Review and update of Privacy Notices across the Council to ensure that they are GDPR compliant.
- Review of the high priority contracts in the Council to ensure GDPR compliance.
- Launch of mandatory training for staff in Information Security and Governance
- Communications, awareness and training for staff on their GDPR responsibilities
- Training is booked in for Councillors for GDPR as part of the induction process.
- Business Support have undertaken a review of the offsite storage arrangements, linked into the Records Management Policy and reviewing processes.
- The Council's model terms and conditions are being updated to reflect the new requirements of GDPR.

Procedures for dealing with complaints including those received by the Local Government Ombudsmen, Freedom of Information requests, Subject Access Requests and Information Commissioners Office referrals have been reviewed and responsibility now sits with the Shared Customer Services team. A wider review of risk and assurance is to be undertaken to strengthen processes and to embed a more robust corporate approach.

The role of the Health and Wellbeing Board has been reviewed and a considerable amount of collaborative work has been undertaken with health and care commissioning. This includes the development of the Kingston Coordinated Care (KCC) programme which is a new model of locality working for Kingston led by the Provider Alliance to establish locality teams across the borough. The Providers Alliance is a partnership with representatives from Kingston’s providers of health and care services – Staywell (Age Concern Kingston), home care, adult social care, Your Healthcare, general practice (represented by Kingston GP Chambers), Kingston Hospital, and the Mental Health Trust.

Charlie Aidan was the Chief Executive throughout the period of this statement and left the Council on the 30th June 2018. Roy Thompson is now the Interim Chief Executive and as such, has responsibility for signing off the AGS alongside the Leader of the Council.

EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

The Royal Borough of Kingston upon Thames 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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Corporate Governance and Internal Audit and by comments made by external auditors and other review agencies and inspectorates.

Key elements of the governance framework operating during the year under review (2017/18) include the following bodies:

Name	Purpose
The Council	Sets the policy and budgetary framework and is responsible for the appointment of the Mayor; members of other bodies such as the Strategic, Regulatory and Neighbourhood Committees. It also adopts the Code of Conduct for Councillors, agrees any changes to the Council's Constitution and terms of reference for Committees, Panels and other Member bodies.
Strategic Committees	Politically proportionate and responsible for making decisions on those powers, duties and functions of the Council that fall within their remit, within overall Council policy.
Scrutiny Panel	Newly established to consider Member and Community call-ins.
Health and Wellbeing Board	Working in partnership with, primarily, the Kingston Clinical Commissioning Group to encourage integrated working between Health and Social Care and to improve health and well- being and narrow the gaps in health inequalities.
Neighbourhood Committees	Four committees made up of the councillors representing the electoral wards in each Neighbourhood. Each has its own budget and can make decisions on a range of services, including local traffic management schemes, small scale planning applications, parks and community halls and licensing matters.
Audit, Governance and Standards Committee	Reviews internal audit strategy, plans and performance; considers the most significant issues arising from internal and external audit work; and obtains assurance that appropriate action is being taken on those issues. It maintains an overview of the effectiveness of the Council's corporate governance arrangements particularly those concerned with risk management, internal control, financial governance, anti-fraud and anti-corruption strategies; approves the Annual Governance Statement and receives and considers the Council's Final Accounts and accompanying financial statements. Promotes and maintains high standards of conduct amongst elected, co-opted and advisory members and employees of the authority. Advises the Council on the adoption of the Code of Conduct for Councillors, including its monitoring and updating.
Health Overview Panel	Acts as a lever to improve the health of local people in the widest sense. It looks at the whole health system, not just services provided, commissioned or managed by the NHS. It scrutinises and make reports or recommendations to the Council, health bodies and other relevant agencies about possible improvements in service.

Name	Purpose
Strategic Leadership Team (SLT)	There has been a significant shift in the purpose and collective impact of our strategic leadership team through the implementation of a revised structure consisting of a Chief Executive, Deputy Chief Executive and five Directors. Led by the Chief Executive, SLT has a mix of responsibilities combining directorate and service leadership, member portfolio management, neighbourhood and ward support, corporate core and enabling roles.
Corporate Leadership Group (CLG)	The CLG has recently been established comprising senior managers directly led by SLT who are responsible for working with their teams to turn strategy into operational leadership and delivery and to ensure alignment and joined up activity across the Council. 8 new Assistant Director posts have been established as part of the Council's restructure and these posts are currently being recruited to.
Directorate Management Teams (DMTs)	The revised structure consists of five directorates: Adult Services, Children's Services (AfC), Growth, Communities and the Corporate & Commercial. DMT's are established for each Directorate consisting of Directors, Assistant Directors and, when appointed the new Corporate Heads of Service who are collectively responsible for delivering strategies and outcomes.
Internal Audit (Shared Service)	Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
Statutory Officers	The roles and responsibilities of the Head of Paid Service, Monitoring Officer, S151 Officer, Director of Children's Services and Director of Adults Services have been reviewed and will be included within the revised Local Code of Governance.

The process for maintaining and reviewing the effectiveness of the governance framework in place in 2017/18 was led by the Head of Internal Audit and the Interim Monitoring Officer and Assistant Director of Governance and Law who carried out the following work:

- reviewing reports from Internal and External Audit, external inspectors and other independent reviews
- documenting and reviewing governance processes and practices
- holding discussions with senior officers to assess the Council's corporate governance framework. This includes a meeting of statutory officers.
- holding a discussion with the Strategic Leadership Team to assess the Council's corporate governance framework.

Internal Audit Outcomes

The Head of the South West London Audit Partnership is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In her Annual Report on the work of Internal Audit during 2017/18 the Head of the South West London Audit Partnership has confirmed that she is satisfied that sufficient internal audit work has been undertaken to allow her to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment. This year she provided reasonable assurance that the Council has an adequate and effective control process to manage the achievement of its objectives. However, she does caveat this opinion in respect of the limited and no assurance reports issued during the year where Priority 1 recommendations were raised. Key themes identified as areas of concern included governance arrangements, documentation of decision making and financial management and control.

Role of the Chief Financial Officer

In 2011/12 a requirement to report on Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government was introduced. A self- assessment has been carried out against the 5 principles within this Code (which was amended in 2016) and all required standards have been assessed as being met.

CIPFA Public Sector Internal Audit Standards (PSIAS)

Since April 2013 the Annual Governance Statements has been required to confirm compliance with the CIPFA PSIAS. A self-assessment has been carried out against these standards which has demonstrated substantial compliance. A peer review is due to undertaken in June 2018.

CONCLUSION

The review of effectiveness on the Council's governance arrangements found that for the majority of services the control environment was satisfactory. It is not possible to eliminate all risks of failure and there were some areas where the Council high expectations were not met and/or progress has been slower than originally expected. The control framework in an ongoing process and therefore where issues were identified action plans were agreed with the relevant Director with a view to progress being reviewed within 6 months of the report. The Council's review mechanisms are an effective framework for maintaining satisfactory governance arrangements including identifying any issues and for monitoring and securing their implementation.

There are some common control themes for improvement plus a diverse range of service issues to be addressed and the Annual Governance Statement identifies continuing actions on the significant governance issues.

CERTIFICATE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit, Governance and Standards Committee (the report providing the detailed assurance can be found using this link (to be inserted following consideration by the Audit Committee), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

The Audit, Governance and Standards Committee considered and approved the 2016/17 AGS at its meeting on the 26th September 2017. As part of this, a programme of work was drawn up to address areas of relative improvement and this was recorded in the Annual Governance Statement Action Plan. Progress against this plan has been monitored regularly by SLT and reported to the Audit, Governance and Standards Committee. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

2016/17 Annual Governance Statement Action Plan – Follow Up

Issue/Risk	Action Taken
Financial Management – Budget process needs to ensure that savings are achievable and service managers have signed them off	**Ongoing** A Delivery Enablement Group has been set up by SLT to monitor progress on delivery of the No Stone Unturned (NSU) savings, reporting to SLT as required. Arrangements for monitoring and reporting non-NSU savings have been developed. The Council delivered the 2017/18 budget with a underspend position. The Council continues to face significant financial challenges
Legal – Concerns relating to response times and capacity issues with the South London Legal Partnership	**Complete** Capacity issues have been addressed through recruitment. Position monitored on a regular basis.
Staff Declaration of Interests – process needs to provide for sufficient oversight by senior officers to ensure that interest do not impact on decision making	**Ongoing** Policy has been updated and is available on the intranet. Consideration to be given to digitalising the process. Annual reminders to be sent to all staff.
Human Resources – adequate capacity needed to support changes in business needs and the transformation programme	**Ongoing** Additional HR capacity was created as part of No Stone Unturned. The integrated HR Shared Service with Sutton also provides additional resilience to manage ongoing transformation. In terms of management capacity, the programme of recruitment is ongoing as part of the organisational redesign and we are progressing with the appointments to the Assistant Director and Corporate Heads of Service roles.
Commissioning and Procurement – a more corporate approach is needed to contract management and compliance with the use of the eProcurement system.	**Complete** Direction of Travel for the Council includes the establishment of Corporate & Commercial Directorate to oversee key contracts and to ensure skills across the Council are embedded.
Mandatory training for staff – improvement still needed in terms of completion by staff of mandatory training (e.g. data protection and security).	**Ongoing** Further improvement is still needed in terms of completion by all staff of mandatory training (e.g. data protection and security). This is being monitored by HR Business partners and the ISGB and the Council will ensure that this training is repeated on an annual basis.
ICT Asset Register – to ensure that the ICT Asset Register is kept up to date	**Complete** As part of the chrome device upgrade, ICT has refreshed the ICT Asset Register. For hardware assets, new equipment is being marked and recorded as part of the rollout of chrome devises. For old assets, these have been removed and disposed of securely. For software assets, ICT has procured new asset management software to more effectively manage and control our software across the Council.

Issue/Risk	Action Taken
Records management and retention – production of records management, retention and disposal schedules need to be completed and rolled out across the organisation to improvement management of corporate records	**Complete** Cross Council Information Asset Registers and Data Retention and Disposal Schedules have been created and rolled out enabling the Council to better manage information.
Business Impact Assessments – Business Impact Assessments are needed in relation to key services (e.g. accommodation) to facilitate the completion of the ICT Disaster Recovery Plan.	**Ongoing** ICT has upgraded the storage of core systems in the Council which will start to improve the business continuity arrangements of the Council. A minor review was undertaken of the business impact analysis and has fed into an update of the ICT Business Continuity Plan, however further work is required here to embed across the Council. The Council will need to implement the emerging Digital and Technology Strategies.
Internal Audit Recommendations – to ensure that all Priority 1 recommendations are dealt with expeditiously.	**Ongoing** Regular update reports will continue to be provided to the Audit, Governance and Standards Committee and officers will be asked to attend where recommendations have not been implemented in accordance with agreed timescales.
Scheme of Delegation – this is to be updated to reflect the new governance arrangements.	**Ongoing** The Scheme of Delegation is being reviewed as part of the ongoing Governance review.
Project Management – risk of delays to projects if decisions are delayed in the run up to the 2018 Council elections.	**Complete** Position was monitored and added to risk registers where appropriate. No areas of concern were identified.

Improvement Plan 2018/19

The improvement actions below have been identified as a result of the review carried out. Progress will be followed up during 2018/19 and reported to the Audit, Governance and Standards Committee.

Issue/Risk	Action
Achieving for Children (AfC) - A major issue going forward is the financial pressures on the Dedicated Schools Grant (DSG) and other demand led budgets. This is not uncommon to AfC but is a national issue although particularly acute in Kingston. This is against a national context of significant pressure on services for children. Whilst this does not directly affect AfC's internal control framework, it does demand a very high standard of budgetary control and AfC are having to develop new strategies in relation to managing demand. In support of the Kingston schools budget for 2018/19 the Department for Education provided an additional £3m of Dedicated Schools Grant (DSG) in support of Special Education Needs (SEN). This is an advance of money provided on the basis that the Council will address the issues associated with the overspend on SEN which is outlined above. This is an advance on money but the Government have not stated when it will need to be returned. However, it is likely that this will need to be repaid. This means that the High Needs block for Kingston will be £23.4m next year and increase of 23.7% and the DSG as a whole will be £ 137.7m, an increase of 7.7%	A Recovery Board and Recovery Plan have been established and a review of the contract, governance and financial control arrangements are being undertaken. As part of the arrangements for dealing with the DSG overspend, RBK are to review the financial arrangements with AfC through an Education Commission.
Risk Management - Whilst processes are in place to record and manage key risks, there is a need to review wider corporate risks and to better align these with the manifesto commitments of the new administration as well as key corporate objectives.	A proposal is being developed to establish more robust risk management processes.

Issue/Risk	Action
GDPR - The challenges of delivering effective data security management require constant review especially at a time when the key data protection legislation is changing with the need to ensure that systems and processes are compliant with GDPR. Whilst the Council has undertaken a major review of information governance, data protection and records management over the last 12 months in advance of GDPR requirements, further work is required to ensure full compliance.	• Further work is needed to embed the policies and procedures for Information Governance into the business as usual culture for the Council. • Further work is required to review the offsite storage arrangements • The commissioning cycle is being reviewed with guidance and templates being updated to ensure that Data Protection Impact Assessments (PDIA) are carried out early in the Commissioning and/or project lifecycle where the process may involve the processing of personal data. • The Council's Contract Management framework will also be updated to ensure robust controls are in place. • All arrangements are being reviewed to confirm where personal data is being processed and where the Council is the controller to ensure that there is an updated written contract in place • The readiness plan to ensure GDPR compliance will be monitored by the Information Security Governance Board (ISGB) to ensure that action is taken in accordance with agreed timescales.

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 their implementation and operation.

The 2017/18 Annual Governance Statement is due to be approved by the Audit, Governance and Standards Committee on 31st July 2018.

Signed

Liz Green

Name: Councillor Liz Green

Leader of the Royal Borough of Kingston upon Thames

Signed

Roy Thompson

Name: Roy Thompson

Interim Chief Executive of the Royal Borough of Kingston upon Thames