The Royal Borough of Kingston upon Thames

Statement of Accounts

2019/20

THE ROYAL BOROUGH OF
KINGSTON
UPON THAMES

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1. Narrative Report

Local authorities in England are required under the Accounts and Audit Regulation 2015 and the CIPFA Code of Practice to include a narrative report with their published statement of accounts. This report does not form part of the Accounts and so is not subject to the same inspection of accounts regime.

Narrative Report

Narrative Report of the Council's S151 Officer

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.

In 2020 the Borough has 176,300 residents and this is projected to increase to 196,800 by 2030 (+12%) and to 218,100 by 2050 (+24% against 2020). Kingston is home to a higher proportion of older residents aged 65+ (14%) compared with London (12%). This age group is projected to grow from 25,000 in 2020 to 31,500 in 2030, an increase of 26%, whilst the number of young people (aged 0-19) is set to increase from 2,200 in 2020 to 2,300 over the same period (+4%).

Whilst people living longer is something to celebrate, Kingston's growing population - particularly the number of younger and older people who tend to require more social care support - puts increasing pressure on a range of services, particularly social care and housing.

Residents of Kingston are generally in good health, with 86% self-reporting their health as being good or better. Like much of the country, obesity levels are a concern - 57.4% of the borough's adults are classed as overweight or obese. Kingston compares favourably to London and England on life expectancy for males (81.5 Kingston, 80.7 London, 79.6 England) and females (84.9 Kingston, 84.5 London, 83.2 England).

Kingston ranks as the second least deprived local authority in London and is 140th out of 151 authorities in England. Nonetheless, there are pockets of relative deprivation. The Index of Multiple Deprivation ranks every small area in England from 1 (most deprived area) to 32,844 (least deprived area) and divides them into 10 equal groups (where decile 1 = 10% most deprived nationally). In Kingston there is only one LSOA (Lower Super Output Area) in the 20% most deprived nationally (deciles 1 and 2) and there are 3 LSOAs in deciles 3 and 4. Out of Kingston's 98 LSOAs, 38 are in the 20% least deprived nationally (deciles 9 and 10).

Kingston is one of the safest boroughs in London, with crime rates - including antisocial behaviour, violence and sexual offences - significantly lower than the London average.

For more information about the borough visit https://data.kingston.gov.uk/

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.

The last elections were in May 2018 and the political composition of the Council is currently:

- Liberal Democrats 38
- Conservative 9
- Green 1

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.

New Regulations introduced due to Covid-19 allow Committees to meet in virtual form online. Following Council approval on 19th May 2020 the Council's five Strategic Committees responsible for major policy and service decisions will be temporarily streamlined into one Response and Recovery Committee. This will meet on a monthly basis and will be empowered to deal with all urgent business which would normally be considered by the other Strategic Committees, if it cannot wait until the resumption of normal conditions.

Regulatory Committees including Development Control Committee, Neighbourhood Planning-Sub Committees and Licensing Sub-Committees will continue to take place virtually. These will remain in place until at least 12th October when the Council will meet to decide whether circumstances allow for the resumption of normal business.

Organisational overview and operational model

Supporting the work of the elected members is the Council's Strategic Leadership Team (SLT). A review took place in February 2020 to restructure the Senior Leadership team, reducing the number of Directorates down from 5 to 4, resulting in a reduction of Directors to 4 (Children's Services, Adult Social Care, Place and Corporate and Communities) and the Chief Executive.

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.

Given the timing of the review of the senior management team, the accounts have been prepared on the basis of the old structure.

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 published alongside the statement of accounts and this narrative report.

Financial Outlook

Financially Kingston faces a number of challenges in the medium to longer term, even before the Covid19 pandemic and its economic and financial consequences. These included:

- There continues to be pressure on the Dedicated Schools Grant with a growing cumulative deficit on DSG of arising from funding for pupils with Special Educational Needs and Disabilities

- Reliance on Council Tax and Business Rates as Central Government's revenue support grant has now ceased for Kingston.

- 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 and the end of the transition period remains uncertain. It could be positive or negative, but could affect interest and inflation rates, labour costs and property and rental values.

- The Covid-19 pandemic will have a significant and lasting impact on the Council's financial position.There is considerable uncertainty on how long the pandemic lockdown will be in place, how it will be lifted and its ongoing economic and financial consequences. The total general fund financial impact of Covid-19 is currently estimated to be £14.3m. The Council has received an additional unrestricted central government grant of £11.6m to cover the financial impacts of Covid. This results in a net impact of £2.7m. The Council created Covid Reserve in 2019/20 of £1.8m , which when applied in 2020/21 would lead to a net impact £0.9m.

- Looking forward to 2021/22, there will be a lasting financial impact on the resources available to fund the Council's budget. The impact on loss of council tax and business rates income suffered in the current financial year will create a deficit on the collection fund which will need to be made good in setting the budget. In addition, the impact on the economy in terms of taxbase growth will see tax base growth stall, eroding the expected increase. An economic recession will impact the most vulnerable in our communities and this will lead to greater levels of service demands across all key areas including adults, childrens and homelessness. At this stage it is very difficult to predict with any certainty the shortfalls within Council Tax and Business Rates, however the forecast based on the first quarter of the year for business rates is estimated at £2m. For Council tax, the collection fund deficit, combined with ongoing reduction in the tax base for 2021/22 is estimated at £8.186m.

- The current medium term financial strategy reveals a budget gap of £21m to 2023/24 which will need to be closed by budget reductions and/or increases in resources through local taxation. The impact of the Covid-19 pandemic will likely be to increase pressure on this budget gap.

In 2018/19, Kingston joined the London Business Rates pooling pilot. 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 was able to keep a greater share of the business rates it collects and shares benefits 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.

The scheme changed in 2019/20 reducing the overall amount that could be retained. Nevertheless, participating in the Business Rates pooling pilot has enabled Kingston to benefit from additional business rates income of £2.517m above the level set in the budget for 2019/20, of which £0.657m related to the final settlement for 2018/19.

Risk

Councillors considered a financial risk analysis of the Council's proposed budget for 2020/21 when setting the Budget at Full Council in February 2020.

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 2020/21 includes a further contribution (£3.5m) to the general fund balance.

The budget for 2020/21 does not depend upon the drawdown of reserves, and has provided for growth and pressures arising and the aforementioned contribution to the general fund balance to help mitigate strategic financial risks.

Financial performance 2019/20

2019/20 was the final year of the '4 Year Settlement Offer', which provided some certainty over our resource position. However, the reliance on Business Rates means the Council is dependent, to a degree, on the performance of the local economy.

Within the Council, consistent with the national picture, there has continued to be a high level of demand for Adult Social Care. High levels of demand in Children's Services has also continued to be a significant issue centred on social care, children leaving care, Asylum Seeking children and SEN Transport. However, the most important financial pressure in recent years has been the emergence of a structural overspend in the activities covered by the Dedicated Schools Grant.

Taking all these risks and pressures into account, the Council set a balanced budget to deliver savings of £12m in 2019/20. The risks associated with achieving these savings along with the risk associated with the structural overspend in the DSG meant that it was necessary to continue to make provision for contingencies, including a planned contribution to the General Fund Balance in order to increase the Council's low level of reserves.

The General Fund revenue outturn position for 2019/20 is an underspend of £1.809m against a budget of £136.309m (a 1.33% underspend). The underspend of £1,809m was transferred to a new Covid 19 Reserve created to mitigate future risks brought about by the pandemic.This left a net nil position overall on the general fund. The main contributors to the outturn position are:

- Additional income from the London Business Rates retention pooling pilot of £2.517m.
- A £1.689m overspend in Children's Services mainly due to higher social care costs.
- An underspend of £1.181m in Community Housing due to increased demand being managed through increased procurement of Private Lease Scheme (PLS) properties and staff vacancies.
- An overspend of £1.319m in Property, due to a loss of income and unachievable savings due to delays in setting up the property company.
- Other Corporate Services reported an underspend on interest and capital financing costs (£0.737m) due to slippage in the capital programme and cash efficiency practices such as using internal borrowing in the short term to fund capital expenditure.

The table below shows a summary of the outturn position at Directorate level:

General Fund Revenue Outturn	Latest Budget 2019/20	Outturn 2019/20	Outturn Variance 2019/20
	£'000	£'000	£'000
Adults	53,934	53,360	**(574)**
Children's Services	27,465	29,154	**1,689**
Growth	(8,402)	(7,045)	**1,357**
Communities	9,786	9,463	**(323)**
Corporate & Commercial	52,132	51,011	**(1,121)**
Chief Executives	1,394	1,288	**(106)**
Total Expenditure	**136,309**	**137,231**	**922**
Resources	**(136,309)**	**(139,040)**	**(2,731)**
Transfer to Reserves	**-**	**1,809**	**1,809**
Total Net Revenue	**-**	**-**	**-**

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) has an underspend of £0.265m for 2019/20 which will be transferred to the HRA balance to mitigate risks in future years. The outturn position mainly arises from the following areas:

- £713k of lower debt charges due to funding capital spend from internal resources, resulting in no external borrowing costs
- £200k underspend due to bringing the resident participation contract in-house
- £165k underspend on staffing due to vacancies (365k), partially offset by redundancy costs (£100k) and additional ICT staffing charges (£165k)
- £150k lower insurance costs due to lower premiums per property
- £750k provision for the outcome of the Thames Water case appeal
- Strengthening the provision for bad debts by increasing the provision from £132k in 2018/19 to £432k in 2019/20.

Schools Budget

The final outturn position on the Dedicated Schools Grant (DSG) was an overspend of £5.180m. Additional government grant funding of £4m that was received in 2018/19 financial year was not available in 2019/20.

The main pressure continues to be increased demand in the high needs block. The number of new Education, Health and Care Plans (EHCP) since 1 April 2019 has risen by 138 to 1,339. This higher than expected growth continues to put pressures on spend levels and delivery of the High Needs strategy.

Capital Programme

The total adjusted capital budget for 2019/20 was £68.0m. This was made up of £14.6m (21.5%) in the Housing Revenue Account (HRA) and £53.4m (78.5%) in the General Fund (GF).

The outturn position revealed total capital spend of £38.0m made up of spend in the HRA of £9.0m and GF of £29.0m. This resulted in a total underspend of £29.995m (44.1% of the adjusted capital budget) which can be broken down into HRA underspend of £5.669m and GF underspend of £24.326m.

The table below shows the revised capital budget, outturn position and slippage for each capital programme.

Programme	Budget 2019-20	Outturn 2019-20	Variance 2019-20	Percentage Spent	Slippage
	£000s	£000s	£000s	%	£000s
Schools Building Programme	8,250	3,983	(4,267)	48.30%	4,271
General Fund Property Programme	10,505	4,265	(6,240)	40.60%	4,350
Regeneration Programme	12,150	9,352	(2,798)	77.00%	363
Environment Programme	2,780	1,874	(906)	67.40%	833
Highways Programme	4,063	3,335	(728)	82.10%	357
Housing General Fund Programme	11,308	2,450	(8,858)	21.70%	8,812
ICT Programme	4,312	3,783	(529)	87.70%	1,474
Total General Fund	**53,368**	**29,042**	**(24,326)**	**54.40%**	**20,460**
Housing Revenue Account	14,644	8,975	(5,669)	61.30%	5,830
Grand Total	**68,012**	**38,016**	**(29,995)**	**55.90%**	**26,290**

The programme has been funded from a variety of sources as shown in the table below-

Capital Programme Funding	Borrowing	Capital Receipts	Government Grants	External Contributions	Direct Revenue Financing & Reserves	Total Financing
	£000s	£000s	£000s	£000s	£000s	£000s
Schools Building Programme	-	-	3,983	-	-	3,983
General Fund Property Programme	4,116	62	46	20	21	4,265
Regeneration Programme	519	36	7,843	954	-	9,352
Environment Programme	1,865	-	-	9	-	1,874
Highways Programme	2,200	-	1,134	-	-	3,334
Housing General Fund Programme	1,493	-	957	-	-	2,450
ICT Programme	-	2,543	-	1,157	83	3,783
Total General Fund	**10,193**	**2,641**	**13,963**	**2,140**	**104**	**29,041**
Housing Revenue Account	-	2,066	329	827	5,753	8,975
Grand Total	**10,193**	**4,707**	**14,292**	**2,967**	**5,857**	**38,016**

Corporate Plan

A corporate plan for 2019-23 was developed under the heading ‘Making Kingston Better, Together’ with four key outcomes:

- A well maintained borough with a sustainable approach to growth and development which benefits our communities
- A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy
- Healthy, independent and resilient residents with effective support to those who need it most
- A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston’s residents and businesses

Full details of the corporate plan can be found on the Council’s website, www.kingston.gov.uk.

The Statement of Accounts 2019/20

The Statement of Accounts (SoA) provides a picture of the Council's health as at the 31 March 2020, bringing together the financial performance of the Council for 2019/20 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 2020. 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 2019/20 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

The accounts also include:
- Notes to the Accounts
- Collection Fund Account
- Housing Revenue Account
- Pension Fund Accounts
- Group Accounts

Sarah Ireland, CPFA
Executive Director of Corporate and Communities
15 January 2021

2. Statement of Responsibilities

This sets out the different responsibilities of the Council and the Executive Director of Corporate and Communities (S151 Officer) in terms of financial administration and accounting.

Statement of Responsibilities for the Statement of Accounts

The Responsibility of the Council

The Council is required to manage its affairs in a way that secures the economic, efficient and effective use of resources and safeguards its assets.

The Council also has to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs under S151 of the Local Government Act 1972. In this Council that officer is the Director, Corporate and Communities.

The Responsibilities of the Chief Finance Officer

The Executive Director of Corporate and Communities is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2020. The Executive Director of Corporate and Communities is also responsible for preparing the Pension Fund accounts administered by the Council in accordance with the current Code of Practice.

In preparing this Statement of Accounts the Executive Director, Corporate and Communities has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and;
- complied with the code.

The Executive Director of Corporate and Communities has also:

- kept proper, up to date, accounting records, and;
- taken reasonable steps for the prevention and detection of fraud and other irregularities across the Council's service

My signature below certifies that the accounts were prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities. I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year.

Sarah Ireland, CPFA
Executive Director of Corporate and Communities
(S151 Officer)
15 January 2021.

Approval of the Statement of Accounts

I certify that the Statement of Accounts was approved by the Audit, Governance and Standards Committee on 15 January 2021.

Councillor Liz Green
Chair, Audit, Governance and Standards Committee

15 January 2021

3. Auditor’s Reports

Auditor’s Report on the Financial Statements

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ROYAL BOROUGH OF KINGSTON

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 subsidiaries (the ‘group’) for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Notes to the Housing Revenue Account Statement, Notes to the Collection Fund Statement and Notes to the Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the 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.

The impact of macro-economic uncertainties on our audit

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

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

Conclusions relating to going concern

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

- the Executive Director of Corporate and Communities use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Corporate and Communities 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.

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

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

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority and group’s Property, Plant and Equipment as at 31 March 2020. As, disclosed in note 4 to the financial statements, the Covid-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council’s valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the VPS 3 and VPGA 10 of the RICS Red BookGlobal. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case. With the valuer having declared this ‘material valuation uncertainty’, the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council. Our opinion is not modified in respect of this matter.

Emphasis of Matter – effects of Covid-19 on the valuation of the Fair Value of Investment Property

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority and group’s Investment Property as at 31 March 2020. As, disclosed in note 4 to the financial statements, the Covid-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council’s valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case. With the valuer having declared this ‘material valuation uncertainty’, the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council. Our opinion is not modified in respect of this matter.

Emphasis of Matter – effects of Covid-19 on the valuation of the Pension Liability

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority and group’s Pension Liability as at 31 March 2020. As, disclosed in note 4 to the financial statements, the current response to Covid-19 means property and infrastructure assets held by the Pension Fund Managers as at 31st March 2020 are reported on the basis of ‘material valuations uncertainty’ as set out in VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty and a high degree of cation should be attached to the valuations than would normally be the case. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, The Executive Director of Corporate and Communities and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page(s) 15 to 16], 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 Executive Director of Corporate and Communities.The Executive Director of Corporate and Communities is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate and

Communities determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate and Communities 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Governance and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

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

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Murray

Iain Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

15 January 2021

Auditor's Report on the Pension Fund Financial Statements

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

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Conclusions relating to going concern

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

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

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

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

Emphasis of Matter - effects of Covid-19 on the valuation of pooled property funds

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's pooled property funds as at 31 March 2020. As, disclosed in note 5 to the financial statements, due to the Covid-19 pandemic, there was very limited observable or reliable market data relating to property asset transactions at 31 March 2020, and there was significant uncertainty about revenue projections. Valuations are therefore reported on the basis of ' material valuation uncertainty'. Consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Director, Corporate and Commercial and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page(s) 15 to 16, 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 Executive Director of Corporate and Communities. The Executive Director of Corporate and Communities is responsible for the preparation of the Statement of Accounts, which includes the pension fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate and Communities determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Governance and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Murray

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

15 January 2021

4. Core Financial Statements

Comprehensive Income and Expenditure Statement

The 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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting costs. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure 2018/19	Gross Income 2018/19	Net Expenditure 2018/19		Notes	Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
81,601	(24,454)	57,147	Adult Social Care		80,529	(25,684)	54,845
1,826	(129)	1,697	Chief Executive's		1,559	(182)	1,377
54,626	(34,627)	19,999	Communities		58,787	(35,762)	23,024
118,861	(101,860)	17,001	Corporate and Commercial		121,647	(92,703)	28,944
11,756	(4,520)	7,236	Growth		9,113	(3,765)	5,348
47,409	(27,134)	20,275	Children's Services		77,230	(27,979)	49,251
65,301	(62,075)	3,226	Children's Services (schools)		61,156	(67,751)	(6,595)
24,760	(35,435)	(10,674)	Housing Revenue Account		22,767	(32,285)	(9,518)
406,141	**(290,234)**	**115,907**	**Cost of Services**		**432,788**	**(286,111)**	**146,676**

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure 2018/19	Gross Income 2018/19	Net Expenditure 2018/19		Notes	Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20
£000	**£000**	**£000**			**£000**	**£000**	**£000**
2,850	-	2,850	Other operating expenditure	6	4,349	-	4,349
30,766	(9,240)	21,526	Financing and investment income and expenditure	7	19,010	(9,105)	9,905
-	(144,780)	(144,780)	Taxation and non-specific grant income	8	-	(149,473)	(149,473)
439,757	(444,254)	**(4,498)**	**(Surplus) or deficit on the provision of services**		456,147	(444,689)	**11,457**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(33,921)	Surplus or deficit on revaluation of non-current assets	12a			(12,413)
		12,434	Actuarial gains or losses on pension assets and liabilities	12c			(49,571)
		(21,486)	**Other comprehensive income and expenditure**				(61,984)
		25,983	**Total comprehensive income and expenditure (surplus)/deficit**				**(50,527)**

Movement in Reserves Statement

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

	Usable Reserves						Non-usable Reserves	Total Authority Reserves
2019/20	**Total General Fund Balance & Earmarked Reserves**	**Housing Revenue Account (HRA)**	**Capital Grants & Contributions Unapplied**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Total Usable Reserves**		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2019	(28,819)	(7,484)	(13,651)	(1,026)	(16,554)	**(67,535)**	**(394,665)**	**(462,198)**
Movement during 2019/20:-								
Total Comprehensive Expenditure and Income	17,768	(6,311)	-	-	-	**11,457**	**(61,984)**	**(50,527)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(19,273)	6,592	(3,188)	(3,398)	452	**(18,816)**	**18,816**	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(1,505)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(43,168)**	**(50,527)**
Transfers to / (from) Earmarked Reserves	-	-				-		-
Increase / (Decrease) in Year	**(1,506)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(43,168)**	**(50,527)**
Balance at 31 March 2020	**(30,325)**	**(7,203)**	**(16,839)**	**(4,424)**	**(16,102)**	**(74,892)**	**(437,834)**	**(512,725)**

Movement in Reserves Statement (continued)

2018/19 Comparative	Usable Reserves						Non-usable Reserves	Total Authority Reserves
	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	(29,074)	(6,184)	(4,831)	-	(17,878)	**(57,966)**	**(378,249)**	**(436,215)**
Movement during 2018/19:								
Total Comprehensive Expenditure and Income	4,397	(8,895)	-	-	-	**(4,498)**	**(21,487)**	**(25,983)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(3,793)	7,244	(8,820)	(1,026)	1,323	**(5,071)**	**5,071**	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**604**	**(1,650)**	**(8,820)**	**(1,026)**	**1,323**	**(9,569)**	**(16,415)**	**(25,983)**
Transfers to / (from) Earmarked Reserves	(350)	350	-	-	-	**-**	**-**	**-**
Increase / (Decrease) in Year	**254**	**(1,300)**	**(8,820)**	**(1,026)**	**1,323**	**(9,569)**	**(16,415)**	**(25,983)**
Balance at 31 March 2019	**(28,820)**	**(7,484)**	**(13,651)**	**(1,026)**	**(16,554)**	**(67,535)**	**(394,665)**	**(462,198)**

Balance Sheet

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

31 March 2019		Notes	31 March 2020
£'000			**£'000**
	Long Term Assets		
879,849	Property, plant and equipment	13a	889,334
1,209	Heritage assets	13b	1,209
85,080	Investment property	14	85,812
4,960	Intangible assets	13c	6,875
5,207	Long term investments	17	5,165
7,421	Long term debtors	17	7,410
983,726	**Total Long Term Assets**		**995,805**
	Current assets		
337	Assets held for sale	15	337
30,609	Short term investments	17	25,884
41	Inventories		41
46,517	Short term debtors	18	38,616
4,651	Cash and cash equivalents	20	23,681
82,155	**Total Current Assets**		**88,559**

Balance Sheet (continued)

31 March 2019		Notes	31 March 2020
£'000			**£'000**
	Current Liabilities		
(2,274)	Short term borrowing	17	(1,646)
(55,425)	Short term creditors	19	(50,345)
(2,773)	Provisions	21	(2,876)
(815)	Grants receipts in advance		(118)
(61,287)	**Total Current Liabilities**		**(54,985)**
	Long Term Liabilities		
(3,000)	Long term creditors		(2,996)
(294,038)	Long term borrowing	17	(303,831)
(244,155)	Liability Related to Defined Benefit Pension Scheme	31	(209,037)
(1,203)	Provisions	21	(789)
(542,396)	**Total Long Term Liabilities**		**(516,653)**
462,198	**Net Assets**		**512,727**
	Reserves		
(67,535)	Usable reserves		(74,893)
(394,664)	Unusable reserves	12	(437,834)
(462,198)	**Total Reserves**		**(512,727)**

Cash Flow Statement

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

2018/19			**2019/20**
£000		Notes	**£000**
(4,498)	Net (surplus) or deficit on the provision of services		11,457
(7,155)	Adjustment to the net surplus or deficit on the provision of services for non-cash movements		(21,933)
17,494	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities		20,949
5,841	Net cash flows from operating activities	22	10,473
4,898	**Net cash flows from investing activities**	23	(21,003)
5,774	**Net cash flows from financing activities**	24	(8,500)
16,513	**Net increase/(decrease) in cash and cash equivalents**		**(19,030)**
	Represented by:		
21,164	Cash and cash equivalents at the beginning of the reporting period	20	4,651
(16,513)	Net increase/(decrease) in cash and cash equivalents	20	19,030
4,651	**Cash and cash equivalents at the end of the reporting period**		**23,681**

5. Notes to the Core Financial Statements

Note 1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

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

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

c) 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 council's cash management.

d) Material Items

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

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

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.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. There were no prior period adjustments this financial year.

f) Charges to Revenue for Non-Current Assets and Minimum Revenue Provision

Service, support services and trading accounts are debited with the following amounts to record the cost of non-current assets that they use during the year:

- depreciation;
- revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off, and;
- amortisation of intangible assets

The Council is not required to raise Council Tax to fund these costs, 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 as determined by the Council in accordance with statutory guidance. Therefore depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of adjusting transactions in the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two.

g) Council Tax and Non-domestic Rates

RBK, as a billing authority acts as an agent, collecting Council Tax (CT) and Non-domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting CT and NDR for themselves. Billing councils are required by statute to maintain a separate fund i.e. the Collection Fund (CF) for the collection and distribution of amounts due in respect of CT and NDR.

Under the legislative framework for the CF, billing authorities, major preceptors and central government share proportionately the risks and rewards the amount of CT and NDR collected could be less or more than predicted.

CT and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However regulations determine the amount of CT and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciliation item in the Movement in Reserves Statement (MiRS).

The Balance Sheet includes the Council's share of the end of year balances in respect of CT and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

h) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accrual basis to the relevant service line in the CIES.

Termination Benefits

Where the Council is committed to the termination of the employment of an officer or group of officers or to making an offer of voluntary redundancy, these costs are charged on an accrual basis to the respective service line in the CIES.

In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

i) Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE),
- The National Health Service 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 Council or for related parties.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate which has been based on the market yield on high quality corporate bonds and gilts.

- The assets of the Pension Fund attributable to the Council 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 pensions' liability is analysed into the following components:
  - current service cost – the increase in liabilities as a result of years of service earned this year allocated in the CIES to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the CIES.
  - 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 CIES.
  - re-measurement of 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 pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements.

Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

j) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events 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.

k) Government Grants and Contributions

Government grants and third party contributions are recognised when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify how and when the grants will be used.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors because until conditions are met the Council may be required to return the grant. When conditions are satisfied the grant or contribution is credited to the relevant service line in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the 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 Districts

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 Council 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 CIES.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a planning charge that the Council collects on new builds for the purpose of funding infrastructure projects within the borough to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised in the CIES at the commencement date of the chargeable development 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.

l) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged directly 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.

Contingent Liabilities and Assets

A contingent liability or asset arises where an event has taken place that gives the Council a possible obligation or asset. These cannot be reliably measured and will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are not recognised in the Balance Sheet, but are disclosed in a note to the accounts.

m) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Where expenditure has been incurred which is to be financed from an earmarked reserve, it is charged to the relevant service within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

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

n) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licenses) is 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 Council’s goods or services.

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

Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o) Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. The Council has a joint venture Achieving for Children (AfC) which is a Community Interest Company (CIC) which commenced trading on 1 April 2014, The CIC is jointly owned and controlled by Royal Borough of Kingston (40%), London Borough of Richmond (40%) and The Royal Borough of Windsor and Maidenhead (20%) being a Private Limited Company limited by guarantee without share capital.

The Council has a subsidiary in the form of Kingston Theatre LLP. The interest in the company is not material and it is not incorporated into Group Accounts as its inclusion would not provide further benefit to the accounts. In the Council’s own accounts, the interest in Kingston Theatre LLP is recorded as an investment.

p) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued 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. However, regulations do not permit unrealised gains and losses to impact the General Fund balance, Therefore, gains and losses are reversed via 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.

Rental income received in relation to investment properties is credited to the Financing and

Investment Income line and results in a gain for the General Fund balance.

q) 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 Authority 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 are not subject to depreciation but can be impaired if a fall in value has occurred.

r) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council 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 Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the 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 CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS.

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 decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

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

Depreciation

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

- 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 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.

Disposals and Non-current Assets Held for Sale

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

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

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 is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Any receipts from disposals are credited to the same line in the CIES as part of the gain or loss on 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 Council's underlying need to borrow (the capital financing requirement), or in line with the Council's flexible use of capital receipts strategy. Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS.

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 MiRS.

s) Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority 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 council.

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 School converts to Academy status.

t) Revenue Expenditure Funded from Capital Under Statute

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

u) 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 and 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.

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 Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its Fair Value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to 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 CIES).

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of 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 CIES).

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

Operating Leases

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

v) 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. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The 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 CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The categorisation of individual financial assets will depend on whether the financial instrument is 'solely principal and interest' (SPPI) or on the business model being used to hold that asset. The 'solely principal and interest' refers to the cashflows of the instrument and will be the first test to apply. This will cover most short-term lending and other deposits with financial institutions, as well as most loans to third parties. These assets will be held at amortised cost. Where the business model is to support a commercial activity with the objective of generating returns to support Council services then the financial instrument will be deemed to be held at fair value through profit or loss. If the business model to hold a particular financial instrument is to provide a Council service or support a Council policy then it will be classified at fair value through other comprehensive income.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where the Council makes loans to voluntary organisations at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

<u>Expected Credit Loss Model</u>

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

-

The Council has the option to designate investments in equity instruments to FVOCI. This will be appropriate where the investment is made to meet service objectives of the Council and where the primary purpose is not to generate a financial return.

w) 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.

Note 2 Accounting Standards issued but not yet adopted

At the Balance Sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local Government Accounting in the United Kingdom:

IFRS 16 Leases removes the existing classifications of operating and finance leases under ISA 17 Leases for Lessees. It will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 until 1 April 2022.

Work is ongoing but at present there is not sufficient information to make a reliable estimate of how this will impact the financial statements

IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact

IAS28 Investments in Associates and Joint Ventures: Clarification that IFRS9 applies to long term interests in an associate of joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in Note 1, the council 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 Council 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 Account boundaries have been estimated using the criteria associated with the Code of Practice. The Council has recognised the 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.

- 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. 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 CIES.

- 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, 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 minimis level for accruals set at £20k for revenue and capital accruals. There is a caveat where not making an accrual below the de minimis threshold would have a material effect to the service e.g. schools.

- In line with 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

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 always be determined with certainty, it is possible that actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Our accounting policy is to depreciate assets on their brought forward values at the 1 April and any effects of in-year revaluations are not taken into account until the year following the revaluation. Revaluations of property, plant and equipment are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data from third parties such as Land Registry and Valuation Office Agency. Due to the Covid19 outbreak at the end of the financial year, valuations reported for the accounts this year are on the basis of 'material valuation uncertainty'. The COVID-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council's valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case.With the valuer having declared this 'material valuation uncertainty', the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for building would increase by £298k for every year that useful lives had to be reduced. If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated. The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed of. A reduction of 1% in the value of PPE at 31.3.2020 would reduce the balance sheet value by £8.89m
Fair Value of Investment Property	The Investment Properties are measured at fair value, using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates. The COVID-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council's valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case.With the valuer having declared this 'material valuation uncertainty', the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council .	Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties. A 1% reduction in fair value of investment property would equate to £858k, although this would not result in a charge to the general fund under local authority accounting practices.

Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. There is further uncertainty arising from the legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018, which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused appeal to the Supreme Court in June 2019 and now it is for the Scheme Advisory Body to determine how this matter is to be resolved. The current response to COVID-19 means property assets held by the Pension Fund Managers as at 31st March 2020 are reported on the basis of 'material valuations uncertainty' as set out in VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty and a high degree of cation should be attached to the valuations than would normally be the case.	The effects on the net pension fund liability for the Royal Borough of Kingston pension fund can be measured. For example a 0.5% decrease in the discount rate assumption would result in an approximate increase of £55.2m in the Council's pension liability; a 0.5% increase in the pension increase rate would increase the liability by approximately £51.8m and a 0.5% increase in the salary increase rate would increase the liability by approximately £3.1m. The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries have applied the same assumptions as used to prepare the IAS19 report to the remedies in the GAD review which indicate a potential increase in pension liabilities of £1m. This figure is included in the past service cost and is based on a worst case scenario that will be reduced if the remedies proposed are not as extensive as in the original GAD report.
Debtors	At 31 March 2020, the Authority had a balance of gross sundry debtors of £58.265m and a provision for doubtful debts of £19.649m. Uncertainty exists around how Covid-19 will impact on the future collection rate of this debt. These debtors have specific provisions which are calculated on past experience of collection rates and current economic conditions, and debt recovery performance. However, in the current economic climate and the changes in welfare benefits could give rise to greater levels of non-payment of the Council's charges. To mitigate the risk of increasing non-payment, a review is regularly undertaken and where applicable, additional reserves would be set aside to protect the council against this risk.	If collection rates were to deteriorate further by 1%, the additional amount of impairment of doubtful debts that would be required on average to be set aside as an allowance is £0.583m.
Business Rates Appeals	Local Authorities are liable for successful appeals against business rates charged to businesses in 2019/20 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 2020. 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 2020. The final outcome of outstanding appeals is unknown and determined by the VOA.	The Council's share of the balance of business rate appeals provisions at this date amounted to £1.152m. Any variation on this will be dependent on the result of each individual appeal.

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis 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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20	As Reported for Response & Recovery Committee	Adjustment 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 CIES
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care	53,360	-	**53,360**	1,485	54,845
Chief Executive's	1,288	-	**1,288**	89	1,377
Communities	9,463	(46)	**9,417**	13,607	23,024
Corporate and Commercial	51,011	(7,916)	**43,095**	(14,151)	28,944
Growth	(7,045)	34	**(7,011)**	12,359	5,347
Children's Services (incl schools)	29,154	5,727	**34,881**	7,775	42,656
Housing Revenue Account	281	(4,585)	**(4,304)**	(5,214)	(9,518)
Net cost of services	**137,512**	**(6,786)**	**130,726**	**15,948**	**146,676**
Other Operating Expenditure		555	**555**	3,794	4,349
Financing and investment income		2,716	**2,716**	7,189	9,905
Taxation and non-specific grants	(139,039)	1,822	**(137,217)**	(12,256)	(149,473)
(Surplus) or Deficit on provision of services	**(1,527)**	**(1,693)**	**(3,220)**	**14,676**	**11,457**
Opening General Fund and HRA Balances			**(20,117)**		
Add surplus/ deficit on GF & HRA Balance in year			**(3,220)**		
Closing General Fund and HRA Balances			**(23,337)**		

Note 5 Expenditure and Funding Analysis (continued)

2018/19 Comparative figures	As Reported for Finance & Partnerships Committee	Adjustment 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 CIES
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care	53,501	-	**53,501**	3,646	57,147
Chief Executive's	1,570	-	**1,570**	127	1,697
Communities	17,770	-	**17,770**	2,229	19,999
Corporate and Commercial	25,758	(8,262)	**17,496**	(495)	17,001
Growth	(1,002)	-	**(1,002)**	8,238	7,236
Children's Services (incl schools)	35,026	-	**35,026**	(11,525)	23,501
Housing Revenue Account	(1,300)	(4,607)	**(5,907)**	(4,767)	(10,674)
Net cost of services	**131,323**	**(12,869)**	**118,454**	**(2,547)**	**115,907**
Other Operating Expenditure	-	555	**555**	2,295	2,850
Financing and investment income	-	10,841	**10,841**	10,684	21,525
Taxation and non-specific grants	(132,164)	-	**(132,164)**	(12,616)	(144,780)
(Surplus) or Deficit on provision of services	**(841)**	**(1,473)**	**(2,314)**	**(2,184)**	**(4,498)**
Opening General Fund and HRA Balances			**(17,803)**		
Add surplus/ deficit on GF & HRA Balance in year			**(2,314)**		
Closing General Fund and HRA Balances			**(20,117)**		

Note 5a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

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

Levy and Reserve Adjustments	Adjustments other	**Adjustment to arrive at net amount charged to GF and HRA**	**2019/20**	Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Difference Expenditure Statements	**Adjustments between Funding and Accounting Basis**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
-	-	**-**	Adult Social Care	728	1,144	(387)	**1,485**
-	-	**-**	Chief Executive's	-	97	(8)	**89**
-	(46)	**(46)**	Communities	7,835	2,604	3,168	**13,607**
(555)	(7,361)	**(7,916)**	Corporate and Commercial	3,632	1,280	(19,064)	**(14,152)**
-	34	**34**	Growth	2,663	302	9,393	**12,359**
-	5,727	**5,727**	Children's Services (incl schools)	5,806	2,522	(552)	**7,776**
-	(4,585)	**(4,585)**	HRA	9,136	553	(14,903)	**(5,214)**
(555)	**(6,231)**	**(6,786)**	Net cost of services	**29,800**	**8,502**	**(22,353)**	**15,950**
555		**555**	Other Operating Expenditure	3,105	-	690	**3,795**
	2,716	**2,716**	Financing and investment income	1,755	5,952	(518)	7,189
	1,822	**1,822**	Taxation and non - specific grants	(6,886)	-	(5,370)	**(12,257)**
-	**(1,693)**	**(1,693)**	Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit	**27,774**	**14,454**	**(27,551)**	**14,676**

Note 5a Note to the Expenditure and Funding Analysis (continued)

Adjustments between Funding and Accounting Basis

Levy and Reserve Adjustments	Adjustments other	**Adjustment to arrive at net amount charged to GF and HRA**	**2018/19 Comparative figures**	Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	**Adjustments between Funding and Accounting Basis**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
-	-	**-**	Adult Social Care	2,770	918	(42)	**3,646**
-	-	**-**	Chief Executive's	-	125	2	**127**
-	-	**-**	Communities	241	2,189	(201)	**2,229**
(555)	(7,707)	**(8,262)**	Corporate and Commercial	2,589	(10,207)	7,123	**(495)**
-	-	**-**	Growth	921	255	7,063	**8,238**
-	-	**-**	Children's Services (incl schools)	(18,835)	3,614	3,696	**(11,525)**
-	(4,607)	**(4,607)**	HRA	(1,731)	508	(3,545)	**(4,767)**
(555)	**(12,314)**	**(12,869)**	Net cost of services	**(14,044)**	**(2,597)**	**14,095**	**(2,547)**
555	-	**555**	Other Operating Expenditure	1,605	-	690	**2,295**
-	10,841	**10,841**	Financing and investment income	3,357	15,818	(8,491)	**10,684**
-	-	**-**	Taxation and non - specific grants	(12,861)	-	244	**(12,616)**
-	**(1,473)**	**(1,473)**	Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit	**(21,943)**	**13,221**	**6,538**	**(2,184)**

Note 5b Expenditure and Income Analysed by Nature

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

2018/19		2019/20
£000		**£000**
	Expenditure	
126,499	Employee benefits expenses	126,967
275,984	Other service expenses	281,306
24,221	Depreciation, amortisation and impairment	33,212
1,605	Gain or Loss on disposal of non-current assets	3,105
10,892	Interest payments	11,001
555	Precept and Levies	555
439,756	**Total Expenditure**	**456,146**
	Income	
(143,453)	Fees and charges and other service income	(138,858)
(114,979)	Income from Council Tax and Business Rates	(119,931)
(184,880)	Government grants and contributions	(184,674)
(942)	Interest and investment income	(1,226)
(444,254)	**Total Income**	**(444,689)**
(4,498)	**(Surplus) or Deficit on Provision of Services**	**11,457**

Note 6 Other Operating Expenditure

2018/19		2019/20
£'000		**£'000**
555	Levies paid to Other Local and Public Authorities	555
690	Payment to the Government Housing Capital Receipts Pool	690
1,605	Net Losses/(Profit) on the disposal of non-current assets	3,104
-	Deficit/(Surplus) on Trading Undertakings not included in Net Cost of Services	-
2,850	**TOTAL**	**4,349**

Note 7 Financing and Investment Income and Expenditure

2018/19		2019/20
£'000		**£'000**
10,887	Interest payable and similar charges	10,999
5	Interest payable from finance lease	2
5,773	Net interest on the net defined benefit pension scheme liability	5,952
10,045	Remeasurements of the net defined benefit liability (asset)	-
(384)	Interest income	(628)
(557)	Interest receivable from finance leases	(598)
1,295	Income and expenditure in relation to investment properties and changes in their fair value	(518)
(5,539)	Other investment income	(5,304)
21,525	**TOTAL**	**9,905**

Note 8 Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that are not allocated to particular service areas and therefore cannot be credited to the gross income amount relevant to that service area. All capital grants and contributions are credited to non-specific grant income even if service specific.

2018/19		2019/20
£'000		**£'000**
(91,894)	Council Tax Income	(97,712)
(23,084)	Business Rates Retention Scheme	(22,219)
(8,121)	Non-ringfenced government grants	(11,675)
(21,681)	Capital grants and contributions	(17,867)
(144,780)	Total Credited to Taxation and Non-Specific Grant Income	**(149,473)**

Note 9 Grant Income

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

2018/19	Grants Credited to Taxation and Non-Specific Grant Income	2019/20
£'000		£'000
	Non-ringfenced government grants:	
(2,314)	New Homes Bonus	(1,951)
(3,473)	Section 31 Business Rate Grant	(3,633)
(1,278)	Better Care Fund	(1,213)
-	COVID-19 Funding	(2,563)
(1,056)	Other Non-ringfenced government grants	(2,315)
(8,121)	Total	**(11,675)**
	Capital Grants and Contributions:	
(8,806)	Transport for London	(8,775)
(7,046)	Schools Basic Need	(1,879)
-	Schools Capital funding	(3,274)
(1,379)	Disabled Facilities	(1,340)
(1,842)	Community Infrastructure Levy	(2,193)
(2,608)	Other Capital Grants and Contributions	(406)
(21,681)	Total	**(17,867)**

Note 9 Grant Income (continued)

2018/19	Revenue Grants Credited to Services	2019/20
£'000		£'000
(81,097)	Dedicated Schools Grant	(79,848)
(1,296)	Education & Skills Funding Agency funding	(1,289)
(10,107)	Public Health Grant	(9,840)
(2,832)	Pupil Premium	(2,917)
(1,093)	Unaccompanied Asylum Seeking Children (UASC)	(1,080)
(337)	Troubled Families Grant	(527)
(1,925)	Universal Infants Free School Meals	(1,743)
(1,298)	Private Leasing Scheme	(1,274)
(68,210)	Benefit Subsidy	(61,176)
-	Teachers Pension Employer Contribution Grant	(1,279)
-	COVID-19 Funding	(1,145)
(5,140)	Other Revenue Grants Credited to Services	(5,687)
(173,335)	Total Revenue Grants included in Cost of Services	**(167,805)**

Note 10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

The council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or reduce the Council’s underlying need to borrow (the capital financing requirement), or in line with the Council’s flexible use of capital receipts strategy. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

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

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2019/20	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation	(20,616)	(9,136)	-	-	-	**29,752**
Revaluation losses on Property Plant & Equipment	984	6,642	-	-	-	**(7,626)**
Amortisation of Intangible Assets	(1,689)	(15)	-	-	-	**1,704**
Movements in the market value of investment properties	453	65	-	-	-	**(518)**
Capital Grants and contributions applied	14,063	-	-	-	-	**(14,063)**
Revenue expenditure funded from capital under statute	(3,643)	(1,355)	-	-	-	**4,998**
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(8,867)	(1,123)	-	-	-	**9,990**
Statutory provision for repayment of debt	7,016	-	-	-	-	**(7,016)**
Any voluntary provision for repayment of debt	2	7	-	-	-	**(9)**
Capital expenditure charged against the General Fund and HRA balances	2,344	692	-	-	-	**(3,036)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	3,804	-	(3,804)	-	-	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	616	-	-	**(616)**
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(16)	-	-	-	-	**16**

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2019/20 (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on the disposal to the CIES	3,341	3,545	-	-	(6,886)	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	4,841	**(4,841)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(51)	-	-	51	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(690)	-	-	-	690	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	**-**
Use of capital receipts for revenue purposes	(849)	(907)			1,756	**-**
Adjustments primarily involving the Major Repairs Reserve:						
Contribution to Major Repairs Reserve	-	9,151	-	(9,151)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,753	-	**(5,753)**
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(568)	-	-	-	-	**568**
Adjustments primarily involving the Financial Instruments Revaluation Reserve:						
Impairment Losses	(42)	-	-	-	-	**42**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the CIES (see Note 31)	(26,384)	(1,729)	-	-	-	**28,113**
Employers Pensions contributions and direct payments to pensioners payable in the year	12,865	795	-	-	-	**(13,660)**

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2019/20 (continued)	**Usable Reserves**					**Non-usable Reserves**
	General Fund Balance	**Housing Revenue Account**	**Capital Grants Unapplied**	**Major Repairs Reserve**	**Capital Receipts Reserve**	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income and residual community charge adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulation	(1,572)	**-**	**-**	**-**	**-**	**1,572**
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	791	11	-	-	-	**(802)**
Total Adjustments	**(19,273)**	**6,592**	**(3,188)**	**(3,398)**	**452**	**18,816**

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2018/19 Comparative Figures	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation	(20,452)	(9,316)	-	-	-	**29,768**
Revaluation losses on Property Plant & Equipment	12,043	2,462	-	-	-	**(14,505)**
Amortisation of Intangible Assets	(1,615)	(15)	-	-	-	**1,631**
Movements in the market value of investment properties	(1,275)	(20)	-	-	-	**1,295**
Capital Grants and contributions applied	12,266	-	-	-	-	**(12,266)**
Revenue expenditure funded from capital under statute	(2,889)	(732)	-	-	-	**3,621**
Impairment Losses	(21)	-	-	-	-	**21**
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,736)	(2,092)	-	-	-	**6,828**
Statutory provision for repayment of debt	6,651	-	-	-	-	**(6,651)**
Any voluntary provision for repayment of debt	3	53	-	-	-	**(56)**
Capital expenditure charged against the General Fund and HRA balances	1,658	3,349	-	-	-	**(5,007)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	9,414	-	(9,414)	-	-	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	595	-	-	**(595)**
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	604	-	-	-	-	**(604)**

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2018/19 Comparative Figures (continued)	**Usable Reserves**					**Non-usable Reserves**
	General Fund Balance	**Housing Revenue Account**	**Capital Grants Unapplied**	**Major Repairs Reserve**	**Capital Receipts Reserve**	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on the disposal to the CIES	87	5,142	-	-	(5,228)	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	5,000	**(5,000)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(71)	-	-	71	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(690)	-	-	-	690	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	**-**
Use of capital receipts for revenue purposes	(791)	-	-	-	791	**-**
Adjustments primarily involving the Major Repairs Reserve:						
Contribution to Major Repairs Reserve	-	9,332	-	(9,332)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	8,305	-	**(8,305)**
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,120	-	-	-	-	**(1,120)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the CIES (see Note 31)	(25,228)	(1,513)	-	-	-	**26,741**
Employers Pensions contributions and direct payments to pensioners payable in the year	12,843	677	-	-	-	**(13,520)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income and residual community charge adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulation	(2,014)	**-**	**-**	**-**	**-**	**2,014**

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2018/19 Comparative Figures (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(771)	(11)	-	-	-	**783**
Total Adjustments	**(3,793)**	**7,244**	**(8,820)**	**(1,026)**	**1,323**	**5,071**

Note 11 Transfers to/from earmarked and usable reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

Earmarked Reserves	Balance 31 March 2018	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2019	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves earmarked for future revenue expenditure:									
Corporate Reserves:									
Strategic Investment Reserve	**(3,002)**	(1,494)	747	(16)	**(3,765)**	(1,050)	1,160	(683)	**(4,338)**
Covid-19 Reserve	**-**	-	-	-	**-**	(1,809)	-	-	**(1,809)**
Covid-19 Grant Carry forward Reserve	**-**	-	-	-	**-**	(2,563)	-	-	**(2,563)**
Revenue Grants Unapplied Reserve	**(1,875)**	(597)	722	16	**(1,734)**	(456)	264	(245)	**(2,171)**
Redundancy Reserve	**(744)**	-	312	-	**(432)**	-	182	-	**(250)**
Election Reserve	**(203)**	(92)	153	-	**(142)**	(92)	-	-	**(234)**
Company Loss Reserve	**(702)**	-	-	-	**(702)**	-	-	-	**(702)**
Children's Services and Education Reserve	**-**	(2,000)	-	-	**(2,000)**	(783)	1,297	-	**(1,486)**
Insurance Reserve	**(811)**	(163)	-	-	**(974)**	(500)	-	-	**(1,474)**
Local Plan Reserve	**-**	-	-	-	**-**	(130)	61	-	**(69)**
Service Specific Reserves:									
Communities	**(438)**	-	60	**-**	**(378)**	-	131	102	**(145)**
Corporate and Commercial	**(583)**	-	26	**-**	**(557)**	-	-	557	**-**
Children's Services	**(309)**	-	-	**-**	**(309)**	-	130	-	**(179)**
Adults Services	**(109)**	-	-	**-**	**(109)**	-	-	109	**-**
Statutory Reserves:									
On Street Parking Reserve	**(1,417)**	(2,845)	3,533	**-**	**(729)**	(3,449)	4,137	-	**(41)**
Bus Lane Enforcement Reserve	**(379)**	(1,482)	1,800	**-**	**(61)**	(1,340)	1,200	-	**(201)**

Transfers To/From Earmarked Reserves (continued)

Earmarked Reserves	Balance 31 March 2018	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2019	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Moving Traffic Contravention Reserve	**(1,589)**	(2,043)	2,050	**-**	**(1,582)**	(1,761)	2,754	-	**(589)**
Kingston Theatre LLP Retained Profits Reserve	**(736)**	(223)	**-**	**-**	**(959)**	(11)	**-**	**-**	**(970)**
Other Revenue Funds:									
Coombe Estate Reserve	**(77)**	(13)	-	**-**	**(90)**	(10)	-	-	**(100)**
Earmarked Revenue Grants Funding	**(8,915)**	(1,577)	1,753	**-**	**(8,739)**	(900)	772	160	**(8,707)**
Total earmarked for future revenue expenditure	**(21,890)**	**(12,529)**	**11,157**	**-**	**(23,263)**	**(14,854)**	**12,088**	**-**	**(26,029)**
HRA Earmarked Reserves:									
HRA Earmarked Reserves	**(136)**	(350)	-	**-**	**(486)**	-	-	-	**(486)**
Total HRA earmarked reserve	**(136)**	**(350)**	**-**	**-**	**(486)**	**-**	**-**	**-**	**(486)**
Schools									
Schools (held by Schools under delegated schemes)	**(4,631)**	(1,277)	1,296	**-**	**(4,612)**	(615)	810	-	**(4,417)**
Unallocated DSG	**10,691**	-	3,381	-	**14,072**	-	5,180	-	**19,252**
Total Schools	**6,060**	**(1,277)**	**4,677**	**-**	**9,460**	**(615)**	**5,990**	**-**	**14,835**
Reserves earmarked for future capital expenditure:									
Kingston Bridge Reserve Fund	**(559)**	**(3)**	**-**	**-**	**(562)**	**(3)**	**-**	**-**	**(565)**
Gloucester Rd Bridge Reserve	**(83)**	-	-	**-**	**(83)**	-	-	-	**(83)**
Other earmarked capital reserves	**(846)**	(612)	205	**-**	**(1,253)**	(612)	-	-	**(1,865)**
Total earmarked for future capital expenditure	**(1,488)**	**(615)**	**205**	**-**	**(1,898)**	**(615)**	**-**	**-**	**(2,513)**
Total earmarked reserves	**(17,454)**	**(14,771)**	**16,039**	**-**	**(16,187)**	**(16,084)**	**18,078**	**-**	**(14,193)**
General Fund balances	**(11,619)**	**(1,013)**	**-**	**-**	**(12,632)**	**(3,500)**	**-**	**-**	**(16,132)**

Transfers To/From Earmarked Reserves (continued)

A review of Earmarked Reserves was undertaken during the year and as a result some reserves have been recategorised or transferred to other reserves and therefore 2018-19 balances have been restated in some places, however the overall balance remains the same.

Corporate Reserves:

Strategic Investment Reserve – set aside to fund the Council's strategic and transformational priorities

Revenue Grants Unapplied Reserve – used to carry forward non-ring fenced grants or other carry forward amounts to meet the cost of operational priorities in the following year.

Covid 19 Reserve - set aside to help mitigate the additional costs associated with the pandemic in future years.

Redundancy Reserve – for the potential liabilities resulting from redundancies from the Council's various transformational programmes

Election Reserve - funds set aside to fund the cost of local elections.

Company Loss Reserve – to cover the ownership share of the current loss in AfC generated by the set up costs of the company.

Children's Service & Education Reserve - funds set aside to due additional pressures in both Education and Children's Services.

Local Plan Reserve - set aside to fund the cost of the statutory local plan

Service Specific Reserves:

Communities – service specific reserves primarily relating to Public Health and Heritage.

Corporate & Commercial – residual reserve relating to a corporate project, the balance of which has now been transferred into the Strategic Investment Reserve.

Children's Services – specific reserves predominantly relating to the self-funding Education Kingston.

Adults Services – the review found that these reserves were no longer required and the balances have therefore been transferred to the Strategic Investment Reserve (operational).

Statutory Reserves:

On Street Parking reserve – the statutory On Street Parking Account surpluses. This reserve is used to meet qualifying expenditure in relation to transport and highways projects and concessionary fares.

Bus Lane Enforcement reserve – the statutory Bus Lane Enforcement Account surpluses. This reserve is used to meet qualifying expenditure in relation to transport and highways projects and concessionary fares.

Moving Traffic Contravention reserve – a statutory reserve for Moving Traffic Contravention surpluses. This reserve is used to meet qualifying expenditure in relation to transport and highways projects and concessionary fares.

Kingston Theatre LLP 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:

Coombe Estate - Set aside for the maintenance and repair of the Coombe Estate Roads.

Earmarked Revenue Grants Funding – 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 2019/20 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. The accumulated deficit on DSG expenditure is transferred to Total School Reserves and reduces the total available reserves.

Reserves Earmarked for future capital expenditure

Kingston Bridge Reserve Fund – earmarked and ring fenced for expenditure on the maintenance of Kingston Bridge.

Gloucester Rd Bridge Reserve – earmarked and ring fenced for expenditure on the maintenance of Gloucester Road Bridge.

Other funds - set aside for use on capital expenditure.

Note 12 Unusable Reserves

31 March 2019		31 March 2020
£'000		**£'000**
(155,037)	Revaluation Reserve	(162,303)
(474,831)	Capital Adjustment Account	(477,013)
244,155	Pensions Reserve	209,037
(3,725)	Financial Instruments Adjustment Account	(3,157)
(8,139)	Deferred Capital Receipts	(8,123)
(583)	Collection Fund Adjustment Account	989
3,603	Accumulated Absences Account	2,801
(107)	Financial Instruments Revaluation Reserve	(65)
-	Available for Sale Financial Instruments Account	-
(394,665)	**TOTAL**	**(437,834)**

Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 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 2019/20, £5.147m (2018/19 £2.563m) of revaluation gains were written out due to asset disposal and current value depreciation and £14.673m (2018/19 £33.921m) was added to the reserve due to revaluation gains.

2018/19		2019/20
£'000		£'000
(123,678)	**Balance at 1 April**	**(155,037)**
(57,900)	Upward revaluation of assets	(24,311)
23,979	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	11,898
(33,921)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(12,413)
1,747	Difference between current value depreciation and historical cost depreciation	2,624
816	Accumulated losses on assets sold or scrapped	2,523
2,563	Amount written off to the Capital Adjustment Account	5,147
(155,037)	**Balance at 31 March**	**(162,303)**

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 amortisation 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.

The table below details the transactions that took place on the Capital Adjustment Account for 2018/19 and 2019/20:

2018/19		2019/20
£'000		£'000
(462,930)	**Balance at 1 April**	**(474,831)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
29,768	Charge for depreciation and impairment of non-current assets	29,752
(95)	Impairment of available for sale financial assets	-
(14,505)	Revaluation gains/(losses) on Property, Plant and Equipment	(7,626)
1,630	Amortisation of intangible assets	1,704
3,621	Revenue expenditure funded from capital under statute	4,998
6,828	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	9,990
27,247		**38,818**
(1,747)	Difference between current value depreciation and historical cost depreciation	(2,624)
(816)	Accumulated losses on assets sold or scrapped	(2,523)
24,684	**Net written out amount of the cost of non-current assets consumed in the year**	**33,671**

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2018/19		2019/20
£'000		**£'000**
	Capital financing applied in the year:	
(5,000)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,841)
(8,305)	Use of the Major Repairs Reserve to finance new capital expenditure	(5,754)
(12,266)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(14,063)
(595)	Application of grants to capital financing from the Capital Grants Unapplied Account	(616)
(6,651)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(7,016)
(56)	Voluntary provision for the repayment of debt	(9)
(1,658)	Funded from Revenue Reserves	(2,344)
(3,349)	Capital expenditure charged against General Fund and HRA balances	(692)
(37,880)		**(35,335)**
1,295	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(518)
(474,831)	**Balance at 31 March**	**(477,013)**

Pension Reserve

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

2018/19		2019/20
£'000		£'000
218,500	**Balance at 1 April**	**244,155**
12,434	Remeasurement of the net defined benefit liability	(49,571)
(13,520)	Actual contributions from employers including unfunded element	(13,660)
20,838	Current Service Costs	21,050
308	Past service costs	1,499
(10,223)	Effect of settlements	(388)
5,773	Effect of interest costs	5,952
10,045	Effect of business combinations	-
244,155	**Balance at 31 March**	**209,037**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the adjustments to Financials Instruments, mainly liabilities.

2018/19		2019/20
£'000		**£'000**
(2,605)	**Balance at 1 April**	**(3,725)**
(19)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	-
(1,101)	Calculated interest on Loan from Greater London Authority	568
(3,725)	**Balance at 31 March**	**(3,157)**

Note 12 Unusable Reserves (continued)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the receipts from leases.

2018/19		2019/20
£'000		£'000
(7,537)	**Balance at 1 April**	**(8,139)**
98	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16
(700)	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(8,139)	**Balance at 31 March**	**(8,123)**

Collection Fund Adjustment Account

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

2018/19		2019/20
£'000		**£'000**
(327)	**Balance at 1 April - Council Tax**	**(62)**
327	Opening balance reversed back to the Collection Fund Control Account	62
(62)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(226)
(62)	**Balance at 31 March**	**(226)**
(2,269)	**Balance at 1 April - Business Rates**	**(521)**
2,269	Opening balance reversed back to the Collection Fund Control Account	521
(521)	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	1,215
(521)	**Balance at 31 March**	**1,215**
(583)	**Grand Total**	**989**

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, i.e. annual leave entitlement carried forward at 31 March 2020. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Account.

2018/19		2019/20
£'000		£'000
2,820	**Balance at 1 April**	**3,603**
(2,820)	Settlement or cancellation of accrual at the end of the preceding year	(3,603)
3,603	Amounts accrued at the end of the current year	2,801
3,603	**Balance at 31 March**	**2,801**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains and losses made by the authority arising from increases and decreases in the value of its investments that are measured at fair value through other comprehensive income.

2018/19		2019/20
£’000		**£’000**
-	**Balance at 1 April**	**(107)**
(129)	Transfer of Available for Sale balances - IFRS 9 Categorisation	**-**
(1)	Upward revaluation of investments	-
22	Downward revaluation of investments	42
-	Change in impairment loss allowances	-
(107)	**Balance at 31 March**	**(65)**

Available for Sale Reserve

The Available for Sale Reserve contains the gains and losses made by the authority arising from increases and decreases in the value of its investments. Due to IFRS 9 code changes, the balances here have been moved to the Financial Instruments Revaluation reserve.

2018/19		2019/20
£’000		£’000
(223)	**Balance at 1 April**	**-**
-	Amounts charged to the Comprehensive Income and Expenditure Statement	-
223	Transfer of Available for Sale balances - IFRS 9 Categorisation	**-**
-	**Balance at 31 March**	**-**

Note 13a Property Plant & Equipment

2019/20	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure 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 2019	**376,324**	**407,156**	**28,928**	**167,829**	**3,098**	**15,229**	**1,670**	**1,000,234**
Additions	7,506	4,114	838	11,481	664	-	4,797	29,400
Revaluation increases/(decreases) recognised in the Revaluation Reserve	121	2,407	-	-	-	(337)	-	2,191
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,784)	(477)	-	-	-	-	-	(2,261)
Derecognition - Disposals	(1,123)	(9,008)	-	-	-	-	-	(10,131)
Reclassifications/Transfers	-	(353)	-	-	-	-	-	(353)
At 31st March 2020	**381,044**	**403,839**	**29,767**	**179,310**	**3,761**	**14,891**	**6,467**	**1,019,080**

Note 13a Property Plant & Equipment (continued)

2019/20	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2019	**-**	**(3,329)**	**(22,352)**	**(94,703)**	**-**	**-**	**-**	**(120,385)**
Depreciation charge	(8,660)	(11,911)	(2,496)	(6,686)	-	-	-	(29,753)
Depreciation charge written out to the Revaluation Reserve	233	9,989	-	-	-	-	-	10,222
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,427	1,462	-	-	-	-	-	9,889
Derecognition - Disposals	-	280	-	-	-	-	-	280
At 31st March 2020	**-**	**(3,509)**	**(24,849)**	**(101,389)**	**-**	**-**	**-**	**(129,747)**
Net book value at 31st March 2020	381,044	400,330	4,918	77,921	3,761	14,891	6,467	889,333
Net book value at 31st March 2019	376,324	403,827	6,576	73,126	3,098	15,229	1,670	879,849
Nature of asset holding								
Owned	381,044	397,305	4,911	77,921	3,761	14,891	6,467	886,301
Leased	-	3,025	7	-	-	-	-	3,032
	381,044	**400,330**	**4,918**	**77,921**	**3,761**	**14,891**	**6,467**	**889,333**

Note 13a Property Plant & Equipment (continued)

2018/19 Comparative Movements	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure 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 2018	**370,859**	**365,214**	**27,645**	**156,028**	**2,848**	**16,500**	**37**	**939,131**
Additions	12,582	8,398	1,283	11,801	250	-	1,633	35,948
Revaluation increases/(decreases) recognised in the Revaluation Reserve	935	22,857	-	-	-	-	-	23,792
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,282)	10,812	-	-	-	(1,271)	-	4,259
Derecognition - Disposals	(2,092)	(4,771)	-	-	-	-	-	(6,863)
Reclassifications/Transfers	(678)	4,645	-	-	-	-	-	3,967
At 31st March 2019	**376,324**	**407,156**	**28,928**	**167,829**	**3,098**	**15,229**	**1,670**	**1,000,234**

Note 13a Property Plant & Equipment (continued)

2018/19 Comparative Movements	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2018	**-**	**(2,881)**	**(19,803)**	**(88,342)**	**-**	**-**	**-**	**(111,026)**
Depreciation charge	(8,667)	(12,191)	(2,549)	(6,361)	-	-	-	(29,768)
Depreciation charge written out to the Revaluation Reserve	167	9,962	-	-	-	-	-	10,129
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,500	1,746	-	-	-	-	-	10,246
Derecognition - Disposals	-	35	-	-		-	-	35
At 31st March 2019	**0**	**(3,329)**	**(22,352)**	**(94,703)**	**-**	**-**	**-**	**(120,385)**
Net book value at 31st March 2019	376,324	403,827	6,576	73,126	3,098	15,229	1,670	879,849
Net book value at 31st March 2018	370,859	362,333	7,842	67,685	2,848	16,500	37	828,104
Nature of asset holding								
Owned	376,324	400,802	6,519	73,126	3,098	15,229	1,670	876,768
Leased	-	3,025	57	-	-	-	-	3,082
	376,324	**403,827**	**6,576**	**73,126**	**3,098**	**15,229**	**1,670**	**879,849**

Note 13a Property Plant & Equipment (continued)

REVALUATIONS

The Council 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

In 2019/20, 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 not re-valued within the past 3 years
- any properties that have reached the maximum interval between valuations of 5 years.
- all Investment Properties
- any property classed as a Council Dwelling

All General Fund, HRA stock and investment property valuations were carried out by **Montagu Evans LLP, Chartered Surveyor** under the instruction of the Council's Asset services. Valuation 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. The balance sheet date of 31 March 2020 was at the start of the national Covid 19 pandemic response. Therefore the valuations at this date are on the basis of material valuation uncertainty.

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 revaluation of assets. Revaluation gains which are subsequently reversed through impairment or disposal of the asset are debited from the reserve.

Valuation Uncertainty

The balance sheet date of 31 March 2020 was at the start of the national Covid 19 pandemic response. Therefore the valuations at this date are on the basis of material valuation uncertainty, as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. The valuer has continued to exercise professional judgement in providing the valuation and this remains the best and most reliable information available to the Council.

GENERAL ASSUMPTIONS

- All assets valued on a DRC or EUV basis an apportionment of each valuation has been made between land and buildings.
- All of the assets are held on an unencumbered freehold basis with the Title being good and marketable.
- Apportionment is provided for the financial purposes of RBK but this does not necessarily reflect how each asset would be treated in the open market.
- **On** the continuation of the existing uses for all of those properties that are owner occupied by RBK.
- That the properties are all occupied and/or operated in accordance with a valid planning permission.
- Free of any matters (including deleterious materials or contamination) that could otherwise affect value;
- None of the properties are prone to flooding or other infrequent or regularly occurring natural events that could affect value
- All necessary mains services are connected to the propertie
- Valuations based on DRC are only to be used for valuing specialised property that is owner occupied for inclusion in financial statements
- Market Value would usually be provided where we consider the property is either considered as an investment property, it is held as a surplus asset, or as an asset held for sale by RBK.
- EUV is used as the basis of valuation for the land owner occupied by RBK, together with any non-specialised buildings.
- The full impact of the Covid-19 crisis on the UK housing market is not yet clear, it is likely to have a significant adverse impact on consumer confidence and market activity. Previous market evidence has less weight weight for comparison purposes when making judgements
- The valuations are based on the market conditions prevailing at the valuation date and relevant adjustments to values have been made following an Impairment Review

EFFECT OF CHANGES IN ESTIMATES – COMPONENTISATION

For 2019/20 depreciation for Council dwellings has been calculated based on componentisation of blocks of similar properties (using beacon principles). This resulted in depreciation of £8.659m being charged to the HRA (2018/19 £8.667m).

CAPITAL COMMITMENTS
As of 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years .

The major commitments are

Value of commitment 31 Mar 2019		Value of commitment 31 Mar 2020
£'000		**£'000**
204	Schools programme	233
519	General fund property programme	759
506	Public realm programme	218
4,853	Highways & transport programme	3,310
501	ICT programme	785
9,760	HRA housing	6,191
16,343		**11,496**

Note 13a Property Plant & Equipment (continued)

CURRENT 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 2020. Note the majority of property plant and equipment is carried at current value in accordance with IAS 16, as adapted for the public sector context. Fair value of the Council's main property assets is estimated based on appraisals performed by independent, professionally-qualified property Valuers.

31 March 2020	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Surplus Assets	-	-	14,891	14,891
Investment Properties	-	-	85,812	85,812
Assets Held for sale	-	-	337	337
	-	**-**	**101,040**	**101,040**

Note 13b Heritage Assets

The value of the Council's Heritage Assets totalled £1.209m as at 31 March 2020. The last valuation was undertaken in 2014/15. The Council's Civic Regalia and paintings 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 20th century 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.

Note 13c Intangible Assets

Intangible assets are those which do not have physical substance, but bring economic benefit to the Council. 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 £1.704m charged to revenue in 2019/20 was charged directly to each service heading (£1.631m in 2018/19).

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

2018/19		2019/20
£'000		**£'000**
	Balance at start of year:	
11,344	- Gross carrying amounts	12,796
(6,205)	- Accumulated amortisation	(7,836)
5,139	**Net carrying amount at start of year**	**4,960**
	Additions:	
1,452	- Purchases	3,619
(1,631)	Amortisation for the period	(1,704)
4,960	**Net carrying amount at end of year**	**6,875**
	Comprising:	
12,796	- Gross carrying amounts	16,415
(7,836)	- Accumulated amortisation	(9,540)
4,960		**6,875**

Note 14 Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. Investment properties are measured initially at cost and subsequently at fair value.The Code of Practice requires that investment properties are not depreciated, but are held at fair value, in this case open market value, and their book value is adjusted for indexation if the market movement is more than +/-3%

The COVID-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council's valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case.With the valuer having declared this 'material valuation uncertainty', the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council

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

2018/19		2019/20
£'000		**£'000**
84,530	Balance at start of the year	85,080
1,604	Reclassifications	354
241	Additions	-
-	Disposals	(140)
-	Transfers to and from Investment properties	-
(1,295)	Net gains/(losses) from current value adjustments (Revaluations and Impairments)	518
85,080	**Balance at the end of the year**	**85,812**

Valuation Techniques used to Determine Level Three Fair Value

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. Investment properties are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. All the Council's investment properties have been value assessed as Level 3 on the fair value hierarchy for valuation purposes by our independent valuation provider, since they include both observable and unobservable inputs.

Note 14 Investment properties (continued)

The following amounts of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

2018/19		2019/20
£'000		**£'000**
(8,205)	Rental Income from Investment Properties	(7,450)
735	Direct Operating Expenses arising from Investment Property	661
(7,470)		**(6,789)**

Note 15 Assets Held for Sale

2018/19		2019/20
£'000		**£'000**
5,908	**Balance outstanding at start of the year**	**337**
	Assets newly classified as held for sale:	
337	- Land & buildings	-
	Assets declassified as held for sale:	
-	Derecognition - disposals	-
(5,908)	Reclassifications	-
337	**Balance outstanding at year-end**	**337**
	Represented by:	
337	- Short term assets held for sale	337
337	**Total assets held for sale**	**337**

Note 16 Capital Expenditure and Capital Financing

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

2018/19		2019/20
£'000		**£'000**
338,030	**Opening Capital Financing Requirement**	**341,411**
	Capital Investment:	
35,948	Property, Plant and Equipment	29,400
241	Investment Properties	-
1,452	Intangible Assets	3,618
3,621	Revenue Expenditure Funded from Capital Under Statute	4,998
	Sources of Finance:	
(5,000)	Capital Receipts	(4,841)
(17,868)	Government grants and other contributions	(17,123)
	Sums set aside from revenue	
(8,305)	- Direct revenue contributions	(5,858)
(6,707)	- MRP / Loans fund principal	(7,025)
341,411	**Closing Capital Financing Requirement**	344,580
	Explanation of movements in year:	
3,381	Increase in underlying need to borrow (unsupported by government financial assistance)	3,169
3,381	**Increase in Capital Financing Requirement**	**3,169**

Note 17 Financial Instruments

a) Financial Instruments Balances

Accounting regulations require financial instruments shown on the balance sheet to be further analysed into various defined categories as shown in the table below.

Categories of financial assets and financial liabilities

31 March 2019							31 March 2020					
Non-current		Current			Total	FINANCIAL ASSETS	Non-current		Current			Total
Investments	Debtors	Investments	Debtors	Cash			Investments	Debtors	Investments	Debtors	Cash	
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
4,973	-	-	-	-	4,973	Fair value through profit and loss	4,931	-	-	-	-	4,931
-	7,421	30,945	39,502	4,651	82,519	Amortised Cost		7,410	25,883	30,917	23,681	87,891
235	-	-	-	-	235	Fair value through other comprehensive income - designated equity instruments	235	-	-	-	-	235
5,207	7,421	30,945	39,502	4,651	87,726	**Total financial assets**	5,165	7,410	25,883	30,917	23,681	93,057
-	-	-	7,015	-	7,015	Non-financial assets	-	-	-	7,700	-	7,700
5,207	7,421	30,945	46,517	4,651	94,741	**Total**	5,165	7,410	25,883	38,617	23,681	100,757

Note 17 Financial Instruments (continued)

31 March 2019						31 March 2020				
Non-current		**Current**		**Total**	**FINANCIAL LIABILITIES**	**Non-current**		**Current**		**Total**
Borrowings	**Creditors**	**Borrowings**	**Creditors**			**Borrowings**	**Creditors**	**Borrowings**	**Creditors**	
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(294,038)	-	(2,274)	(25,561)	(321,874)	Amortised Cost	(303,831)	-	(1,646)	(33,215)	(338,692)
(294,038)	-	(2,274)	(25,561)	(321,874)	Total financial liabilities	(303,831)	-	(1,646)	(33,215)	(338,692)
-	(3,000)	-	(29,864)	(29,864)	Non-financial liabilities	-	(3,000)	-	(17,129)	(20,129)
(294,038)	(3,000)	(2,274)	(55,425)	(351,738)	Total	(303,831)	(3,000)	(1,646)	(50,344)	(358,821)

Note 17 Financial Instruments (continued)

Soft Loans

The Council is in receipt of an interest-free loan from the Greater London Authority for the purpose of regenerating the Cambridge Road Estate. There were 2 tranches of £10m each in 2017/18 and a further tranche of £6.625m in 2018/19. The Council is required to carry these liabilities in its accounts at the net present value of the loan discounted at a comparable rate offered by the Public Works Loan Board. The difference between the nominal principal of £26.625m and the net present value is taken to reserve and written down over the life of the loan so that the 2 values are equal on maturity

Greater London Authority	2018/19	2019/20
	£'000	£'000
Opening Balance	16,407	21,930
Nominal value of new loans granted in year	6,625	-
Fair value adjustment on initial recognition	(1,600)	-
Loans repaid	-	-
Increase in the discounted amount	498	568
Closing balance at end of year	21,930	22,498
Nominal value at 31 March	26,625	26,625

Note 17 Financial Instruments (continued)

Investments in equity instruments designated at fair value through other comprehensive income

Description	Nominal	Fair Value	Change in fair value during 2019/20	Dividends
	£'000	£'000	£'000	£'000
Kingston Theatre LLP	5,083	224	-	24
UK Municipal Bond Agency PLC	100	11	-	-

Kingston Theatre LLP is a Limited Liability Partnership (LLP) between the Council (95% stake) and Kingston University (5% stake), whose principal activity is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre.

The UK Municipal Bonds Agency Plc was established in June 2014, with the primary purpose of reducing local authority financing costs by issuing bonds in the capital markets and on-lending to councils, lending between councils and sourcing funding from 3rd party sources, to on-lend to councils.

Reclassification

Reclassification of a financial instrument can only occur if it is allowed through the definitions of the Code, and as a consequence should be relatively rare.

In the case of financial liabilities an authority cannot reclassify. No financial instruments have been reclassified.

Note 17 Financial Instruments (continued)

b) Comprehensive Income and Expenditure Statement disclosures

Items of income, expense, gains or losses

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

	2018/19			2019/20
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
		Net gains/losses on:		
256	-	Financial assets measured at fair value through profit or loss	42	-
634	-	Financial assets measured at amortised cost	586	-
-	14	Investments in equity instruments designated at fair value through other comprehensive income	-	-
890	14	**Total net gains/losses**	628	-
		Interest revenue:		
(941)	-	Financial assets measured at amortised cost	(1,226)	-
-	(36)	Other financial assets measured at fair value through other comprehensive income	-	(24)
(941)	(36)	**Total interest revenue**	(1,226)	(24)
		Interest expense		
10,892	-	Financial assets or financial liabilities that are not at fair value through profit or loss	11,001	-
10,892	-	**Total interest expense**	11,001	-

Note 17 Financial Instruments (continued)

Basis for recurring fair value measurements:
Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs – unobservable inputs for the asset or liability.

Fair Value of Financial Assets
Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2020	As at 31 March 2019
			£'000	£'000
Fair Value through Profit and Loss				
Other financial instruments classified as fair value through profit and loss	Level 1	Unadjusted quoted prices in active markets for identical shares	4,931	4,973
Total			**4,931**	**4,973**
Fair Value through Other Comprehensive Income				
Equity shareholding in Kingston theatre LLP	Level 3	Equity share attributable to shareholders	224	224
Equity shareholding in UK Municipal Bond Agency PLC	Level 3	Equity share attributable to shareholders	11	11
Total			**235**	**235**

Note 17 Financial Instruments (continued)

Equity Investments
Kingston Theatre LLP - the shares in this company are not traded in an active market and fair value of £224k has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation is based on the equity shown in Kingston Theatre LLP's latest accounts, shared proportionately between Partnership members.

The UK Municipal Bond Agency– the shares in this company are not traded in an active market and fair value of £11k has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts.

Other financial instruments Classified as Fair value through Profit and Loss
The Council has investments in two bond funds managed by Royal London: Cash Plus Fund and Enhanced Cash Plus Fund. Both funds are valued on a mid-price basis.

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique
There has been no change in the valuation technique used during the year for the financial instruments

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)
Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

For loans from the PWLB payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value.
No early repayment or impairment is recognised;
Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 17 Financial Instruments (continued)

The calculated fair value of each class of financial asset and liability which are carried in the balance sheet are shown in the tables below. The prior year fair values as at 31 March 2019 are also provided for comparison.

Fair Value of Liabilities Carried at Amortised Cost

31 March 2019			31 March 2020	
Carrying amount	**Fair Value**		**Carrying amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
(211,752)	(276,872)	PWLB debt	(220,974)	(272,171)
(61,936)	(97,864)	Non-PWLB debt	(61,943)	(94,511)
(21,930)	(21,930)	GLA Soft Loan	(22,498)	(22,498)
(2,274)	(2,274)	Short term Borrowing	(1,646)	(1,646)
(25,561)	(25,561)	Short term creditors	(35,326)	(35,326)
(11)	(11)	Short term finance lease liability	(6)	(6)
(323,464)	**(424,512)**	**Total financial liabilities**	**(342,393)**	**(426,158)**

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

The authority has a continuing ability to borrow at concessionary rates from the PWLB, rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £221.0m would be valued at £272.1m.

But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would have been paid. The exit price for the PWLB loans including the penalty charge would be £388.9m.

Note 17 Financial Instruments (continued)

Fair Value of Assets Carried at Amortised Cost

31 March 2019			31 March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
9,801	9,801	Money market loans < 1 year	25,882	25,882
34,643	34,643	Short term investments	24,151	24,151
29,140	29,140	Short term debtors	33,628	33,628
7,570	7,570	Long term debtors	7,410	7,410
81,154	**81,154**	**Total financial assets**	**91,071**	**91,071**

Where the fair values of financial assets are the same as carrying values, this is because the investments held are short term and their interest rates are equal to the rates available for similar loans at the balance sheet date. The carrying amount and fair value of long term investments are carried at fair value according to accounting practices.

Note 17 Financial Instruments (continued)

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2020	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB		(272,171)		(272,171)
Non-PWLB		(94,511)		(94,511)
GLA Soft Loan		(22,498)		(22,498)
Short term debt		(775)		(775)
Short term creditors		(35,326)		(35,326)
Finance lease liability		(6)		(6)
Total	**-**	**(425,287)**	**-**	**(425,287)**
Financial assets				
Financial assets held at amortised cost:		91,071		91,071
Total	**-**	**91,071**	**-**	**91,071**

Note 17 Financial Instruments (continued)

31 March 2019 comparative	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Total
Recurring fair value measurements using:	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities				
PWLB		(276,872)		(276,872)
Non-PWLB		(97,864)		(97,864)
GLA Soft Loan		(21,930)		(21,930)
Short term debt		(2,274)		(2,274)
Long term creditors		(25,561)		(25,561)
Finance lease liability		(11)		(11)
Total	**-**	**(424,512)**	**-**	**(424,512)**
Financial assets				
Financial assets held at amortised Cost		69,891		69,891
Total	**-**	**69,891**	**-**	**69,891**

The fair value for financial liabilities and financial assets that are not measured at fair value included in Level 2 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed above.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

Note 17 Financial Instruments (continued)

c) Nature and Extent of Risks Arising from Financial Instruments

The Council's management of treasury risks actively works to minimise exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code on Treasury Management in the Public Services and investment guidance issued through the Act.

The Council has written principles for overall risk management as well as written policies and procedures (Treasury Management Practices - TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash which are reviewed periodically.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in February 2019 and is available on the Council's website. Actual performance is reported on a half-yearly basis to the Audit, Governance and Standards Committee.

Credit Risk

Credit risk arises from the lending of surplus cash funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council is currently using highly rated institutions and high security money market funds. The Council has a policy of limiting deposits with individual institutions to a maximum of £20 million.

Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk on its money market investments has been deemed to be immaterial. This has been determined by reference to the historic default rates provided by credit rating agencies that show a risk of default of 0.05% or less for the rated financial institutions on the Council's approved counterparty list. Note that in the event of any default the Council would be entitled to a share of the assets in the financial institution so that any potential loss would be less than the default rate quoted.

The Council has made a credit loss allowance on its trade receivables in accordance with proper practices.

Liquidity Risk

The Council has access to borrowing from the money markets to cover day to day cash flow needs and to the Public Works Loans Board (PWLB) and money markets for access to longer term funds. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The maturity structure of financial liabilities is as follows (at nominal rate):

Note 17 Financial Instruments (continued)

31 March 2019		31 March 2020
£'000		**£'000**
210,913	Public Works Loans Board	220,138
61,000	Market debt	61,000
26,625	GLA	26,625
1,500	Temporary loans	-
300,038	Total	**307,763**
2,274	Less than 1 year	775
775	Between 1 and 2 years	3,275
4,825	Between 2 and 5 years	4,325
40,025	Between 5 and 10 years	48,021
252,139	More than 10 years	251,367
300,038	Total	**307,763**

Note 17 Financial Instruments (continued)

Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods.

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

The Council has a number of strategies for managing interest rate risk, for example variable rate loans are limited to a maximum of 20% of overall borrowing. The Council continually tracks interest rates and uses its treasury management advisers, Link, to identify opportunities for restructuring debt. In doing so, any premiums or discounts applicable are taken into consideration when assessing whether this may be beneficial to the Council. There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2020
	£'000
Increase in interest receivable on variable rate investments	682
Impact Surplus or Deficit on the Provision of Services	**682**
Share of overall impact credited to the HRA	196
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(56,446)

Note 18 Short term Debtors

These are short-term debts consisting of amounts due from Government, other local authorities and amounts due for goods and services provided as at 31 March

2018/19		2019/20
£'000		**£'000**
7,293	Central Government Bodies	8,184
4,621	Other Local Authorities	9,162
3,304	NHS Bodies	6,577
927	Public Corporations & Trading Funds	1
30,372	Other Entities & Individuals	14,693
46,517	**Total**	**38,617**

2018/19		2019/20
£'000		**£'000**
62,669	Debtors	55,078
3,177	Payments in advance	3,188
(19,329)	Less Provision for impairment of bad debts	(19,649)
46,517	**Total**	**38,617**

Note 19 Short term Creditors

These consist of amounts owed to Government and other public bodies and all unpaid sums for goods and services provided as at 31 March.

2018/19		2019/20
£'000		£'000
(8,562)	Central Government Bodies	(7,820)
(16,635)	Other Local Authorities	(17,328)
(1,602)	NHS Bodies	(1,466)
(267)	Public Corporations & Trading Funds	-
(28,360)	Other Entities & Individuals	(23,731)
(55,425)	**Total**	**(50,345)**

2018/19		2019/20
£'000		£'000
(52,174)	Creditors	(45,144)
(3,252)	Receipts in Advance	(5,201)
(55,425)	**Total**	**(50,345)**

Note 20 Cash and cash equivalents

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

2018/19		2019/20
£'000		**£'000**
8,332	Cash held by the Authority	7,912
(3,680)	Cash at Bank	(4,794)
-	Short-term liquid deposits	20,563
4,651	**Total**	**23,681**

Note 21 Provisions

	Balance b/fwd 1 April 2019	Additional provisions made in 2019/20	Amounts used in 2019/20	Unused amounts reversed in 2019/20	Balance c/fwd 31 March 2020
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Non Current Provisions:					
a) Long Term Insurance Provision	(1,203)		414		(789)
Total Non Current Provisions	(1,203)	-	414	-	(789)
Current Provisions:					
b) Short Term Insurance Provision	(1,219)		250		(969)
c) NNDR Appeals	(1,530)	387	(9)		(1,152)
d) HRA Water Charges Provision	-	(750)			(750)
e) Other	(25)		4	16	(5)
Total Current Provisions	(2,774)	(363)	245	16	(2,876)
Total	**(3,977)**	**(363)**	**659**	**16**	**(3,665)**

a) Long Term Insurance Provision - The Council's long term liability insurance provision £0.789m 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 31 March 2020, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves, see Note 11. There is also an insurance provision to meet potential liabilities expected within one year in current liabilities.

b) Short term Insurance Provision - The Council's short term liability insurance provision £0.969m 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 2020, to our knowledge, there are no material unfunded risks. There is also an insurance provision to meet potential liabilities expected in more than one year in long term liabilities.

c) A provision of £1.152m for outstanding appeals against valuations for Business Rates currently being assessed by the Valuation Office Agency (£1.530m in 2018/19).

d) HRA Water Charges - In March 2018, Kingston Council issued a claim in the High Court against one of its tenants, seeking a declaration from the Court that the Council was not a 'water reseller' and had not been overcharging its tenants for water and sewer charges it collected from its tenants in place of Thames Water. The High Court decided in November 2019 that Kingston was a 'water reseller' and had been overcharging its tenants for water and sewerage charges accordingly. Although this is in the process of appeal, the result of this ruling is that local authorities and housing associations, including Kingston, may face claims from tenants for overpaid water charges. Whilst the value of individual claims may be relatively small, collectively, due to the number of properties the Council manages, the potential liability has been assessed at up to £0.75m. The outcome of this is not certain, but it is felt prudent to make this provision.

e) Other provisions - There is a provision of £0.005m made for Legal costs.

Note 22 Cash Flows from Operating Activities

2018/19		2019/20
£'000		**£'000**
(390)	Interest received	(628)
8,283	Interest paid	10,999
7,893	**Total**	**10,371**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(29,768)	Depreciation	(29,752)
14,505	Impairment and downward revaluations	7,584
(1,631)	Amortisation	(1,704)
(3,450)	Increase / (decrease) in impairment for bad debts	(320)
(1,167)	Increase / (decrease) in creditors	4,910
6,737	(Increase) / decrease in debtors	(7,912)
(5)	(Increase) / decrease in inventories	-
13,221	Movement in Pension Liability	14,453
(6,828)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(9,990)
-		
	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	
(65)	Provisions	311
1,295	Movement in the value of investment properties	519
(7,155)	**Total non-cash adjustments**	**(21,933)**
5,228	Capital Grants credited to surplus or deficit on the provision of services	14,063
12,266	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,886
17,494	**Total adjustments for investing or financing activities**	**20,949**

Note 23 Cash Flows from Investing Activities

2018/19		2019/20
£'000		**£'000**
38,901	Purchase of property, plant and equipment, investment property and intangible assets	33,018
40,309	Purchase of short term and long term investments	352,433
690	Other payments for investing activities	690
(5,228)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,886)
(38,984)	Proceeds from short and long term investments	(374,105)
(30,790)	Other receipts from investing activities	(26,151)
4,898	**Total cash inflow/(outflow) from investing activities**	**(21,001)**

Note 24 Cash Flows from Financing Activities

2018/19		2019/20
£'000		**£'000**
-	Cash receipts of short and long term borrowing	(10,000)
5,774	Repayment of short term and long term borrowing	1,500
-	Other receipts from financing activities	-
5,774	**Total cash inflow/(outflow) from financing activities**	**(8,500)**

Note 25 Officers Remuneration & Exit Packages

This table gives the number of employees whose remuneration, excluding pension contributions but including redundancy payments, was £50,000 or more in bands of £5,000. These figures exclude those senior officers who are individually disclosed overleaf.

2018/19		Remuneration Band	2019/20	
Schools Employees	**Non-Schools Employees**	**£**	**Schools Employees**	**Non-Schools Employees**
14	46	50,000 - 54,999	20	34
13	16	55,000 - 59,999	14	7
8	14	60,000 - 64,999	10	13
6	8	65,000 - 69,999	6	7
1	4	70,000 - 74,999	2	4
4	2	75,000 - 79,999	4	2
2	2	80,000 - 84,999	6	1
4	1	85,000 - 89,999	1	2
-	2	90,000 - 94,999	1	5
-	1	95,000 - 99,999	-	2
-	2	100,000 - 104,999	1	2
-	1	105,000 - 109,999	-	-
-	-	110,000 - 115,000	-	1
-	-	120,000 - 125,999	-	1
-	-	125,000 - 129,999	-	1
-	1	130,000 - 134,999	-	-
-	-	145,000 - 149,000	-	1
-	1	195,000 - 199,999	-	-
-	-	205,000 - 209,000	-	-
-	1	260,000 - 264,999	-	-
52	**102**	**Total**	**65**	**83**

Note 25 Officers Remuneration and Exit Packages (continued)

2019/20	Note	Salary, fees and allowances	Compensation for loss of office	Employers pension contributions	Total
		£'000	£'000	£'000	£'000
Chief Executive - Ian Thomas	1	189	-	-	189
Executive Director Corporate and Communities	2	143	-	24	167
Director Communities		111	-	18	129
Director Children's Services	3	173	-	-	173
Joint Director Children's Services	3	18	-	4	22
Executive Director Place	4	138	-	22	160
General Counsel	5	51	-	8	59
Assistant Director Governance and Law	5	10	-	2	12
Interim Assistant Director Governance and Law	5	64	-	-	64
Assistant Director Healthy and Safe Communities (Director of Public Health)		118	-	19	137
Executive Director Adult Social Care and Health	6	131	53	21	205
Director Adult Services	6	82	-	13	95

Note 25 Officers Remuneration and Exit Packages (continued)

2018/19 Comparative figures	Note	Salary, fees and allowances	Compensation for loss of office	Employers pension contributions	Total
		£000's	£000's	£000's	£000's
Chief Executive - Ian Thomas	1	37	-	-	37
Chief Executive - Charlie Adan	1	45	142	7	194
Acting Chief Executive - Roy Thompson		118	-	19	137
Deputy Chief Executive - Roy Thompson	1	39	112	6	157
Interim Chief Finance Officer	2	59	-	-	59
Director Corporate and Commercial	2	139	-	22	161
Director Communities	3	141	-	20	161
Interim Director Children's Services	4	71	-	-	71
Director Growth	5	127	-	20	147
Assistant Director Governance and Law	6	39	-	6	45
Interim Assistant Director Governance and Law	6	95	-	-	95
Senior Consultant - People Directorate		41	-	-	41
Assistant Director Healthy and Safe Communities (Director of Public Health)		116	-	18	134
Director of Adult Social Services		132	-	21	153

Note 25 Officers Remuneration and Exit Packages (continued)

1. The Chief Executive Ian Thomas joined the Council on 28 January 2019. He replaced Charlie Adan who left the Council on 30 June 2018. Deputy Chief Executive Roy Thompson was the Acting Chief Executive up until 8 March 2019.

2. The Chief Finance officer started in November 2017 and left in June 2018. His responsibilities were transferred to the Director Corporate and Commercial who started on 4 April 2018. With effect from 01 February 2020, the title of Director Corporate and Commercial has changed to Executive Director of Corporate and Communities.

3. In 2019-20 an interim Director of Children's Services was employed solely for Kingston Council. In January 2020 a Joint Director of Children's Services for Kingston and Richmond Councils was appointed.

4. With effect from 01 February 2020, the title of Director of Growth has changed to Executive Director of Place.

5. With effect from 01 February 2020 the title Assistant Director Governance and Law has changed to General Counsel. The post holder is Chief Legal Officer for the Council. There were three Assistant Directors Governance and Law during the financial year 2019-20.

   The current postholder is a permanent recruit who joined the council on 30 September 2019. Her predecessor left on 06 May 2019 and was replaced by an interim director who started on 24 April 2019 and left on 29 September 2019.

6. With effect from 01 February 2020, the title Director of Adult Social Care titled has changed to Executive Director of Social Care and Health. The Interim Director Adult Social Care has replaced the Executive Director of Social Care and Health who left on 06 March 2020.

Exit Packages

The cost of exit packages (excluding Voluntary Aided and Foundation schools) are as follows:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**
0 - 20,000	56	50	-	2	56	52	458	456
20.001 - 40,000	9	18	-	1	9	19	255	524
40,001 - 60,000	5	8	-	2	5	10	251	529
60,001 - 80,000	4	2	-	-	4	2	359	130
80,001 - 100,000	1	1	-	-	1	1	83	82
100,001 - 150,000	4	3	-	-	4	3	529	370
150,001 - 200,000	1	1	-	-	1	1	160	152
200,001 - 250,000	-	-	-	-	-	-	-	-
250,001 - 300,000	-	-	-	-	-	-	-	-
300,001 - 350,000	1	-	-	-	1	-	316	-
Total	**81**	**83**	**-**	**5**	**81**	**88**	**2,411**	**2,243**

The total cost of £2.243m (£2.411m in 2018/19) 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 £0.423m (£0.479m in 2018/19) of committed costs 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.

Note 26 Members Allowances

2018/19		2019/20
£'000		**£'000**
688	Allowances	713
-	Expenses	-
688		**713**

Note 27 Dedicated Schools Grant

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 2016. These changes were updated in 2020 to require that DSG expenditure not to be charged to the General Fund unless with the express permission of the Secretary of State.The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2019/20 before Academy recoupment	-	-	(140,402)
Less Academy figure recouped for 2019/20	-	-	60,554
Total DSG after Academy recoupment for 2019/20	-	-	(79,848)
Brought forward from 2018/19	-	-	14,071
Agreed initial budgeted distribution in 2019/20	(4,119)	(61,658)	(65,777)
In-year adjustments	-	-	-
Final budget distribution for 2019/20	(4,119)	(61,658)	(65,777)
Less actual central expenditure	23,887	-	23,887
Less actual ISB deployed to schools	-	61,141	61,141
Carry forward to 2019/20 (deficit)	19,768	(517)	19,251

The accumulated deficit on DSG expenditure is transferred to Total School Reserves and reduces the total available reserves.

Note 28 Better Care Fund (Pooled Budgets with Kingston Clinical Commissioning Group)

2019/20 is the fifth year of the Council's aligned budget arrangement (Pooled Fund) with Kingston Clinical Commissioning Group (CCG). This agreement came into 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.

2019/20 was the third 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 £1.340m.
- Improved Better Care Fund contribution (iBCF): £1.212M.
- Winter Pressures Grant: £0.573M

Kingston is also the "lead provider of care", but the funding source is routed through the CCG. The funds amounted to £3.404m for the following service areas:

- Social Care Services £2.937m.
- Care Act £0.467m.

CCG also provided funding for the provision of 3 Schemes that were provided by either the NHS or the Voluntary Sector. These amounted to £7.282m on the following areas:

- Integrated Community Service £6.239M.
- Extension to rapid response service £1.540M

31 March 2019		31 March 2020
£'000		**£'000**
	Funding:	
2,520	Royal Borough of Kingston	3,125
10,469	Kingston CCG	11,184
12,989	Total Funding	14,309
	Expenditure:	
2,511	Royal Borough of Kingston	2,729
10,469	Kingston CCG	11,184
12,980	Total Expenditure	13,913
(9)	Net (Surplus)/Deficit on the pooled budget during the year	(396)
(9)	Council share of net (surplus)/deficit arising on the pooled budget*	(396)

* The surplus on the pooled budget relates to capital grants unspent

Note 29 Related Parties

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

Central Government Central government has significant control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of grant funding that the council receives and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant receipts are shown in Note 9.

Members - Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019/20 is shown in Note 26. During 2019/20 members of the Council (or members of their immediate family or household) undertook related party transactions with the following organisations to the value of £0.755m (£3.122m 2018/19). The amounts disclosed below are those considered to be material to either of the related party transactions (i.e. either the Royal Borough of Kingston upon Thames or the other entity).

Organisation	Nature of Transactions	2018/19	2019/20
		£'000	**£'000**
Kingston Carers Network	Grants and special project payments from RBK	243	235
Coombe Hill Investments	Payments from RBK	110	115
Groundwork ltd	Grants to voluntary organisations	92	87
Kaleidoscope Ltd	Payments from both RBK and Kaleidoscope	310	275

Note 29 Related Parties (continued)

The disclosure has been prepared using the Council’s Register of Members’ Interest in addition to a specific declaration obtained in respect of related party transactions from Members. The Council issued 48 electronic forms to be completed, 30 specific declarations of interest forms from Members were received (47 in 2018/19).

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.

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

Voluntary Organisations

The Council made grants and other payments totalling £0.429m (£1.012m in 2018/19) to voluntary and other organisations.

Officers

The Acting Assistant Director, Finance (Kingston) is the Council’s nominated Director of Kingston Theatre LLP. 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 Council has a pooled budget arrangement with Kingston NHS Foundation Trust for the provision of Moor Lane Children’s and Young People’s services.

The Council 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 environment 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 a shared service arrangement between The Royal Borough of Kingston upon Thames and The London Borough of Sutton. 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.

- **Internal Audit Shared Service –** Internal Audit and Investigations work is provided via a shared service with the London Boroughs of Richmond, Wandsworth, Merton and Sutton. The employing authority for the service is Richmond. This service is providing a shared expertise and a wider resilience for the boroughs.

- **ICT –** Royal Borough of Kingston 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 –** Royal Borough of Kingston, 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** – In 2016 the Royal Borough of Kingston and the London Borough of Sutton set up a Shared Environment Service (SES), which includes Environmental Health, Trading Standards, Sustainable Transport and Highways & Transport.

- **Pensions Administration Service** – On the 1st April 2016 The Royal Borough of Kingston entered into a shared service for its Pension Administration service with the London Borough of Sutton.

- **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 three 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 part of the Leadership team of AfC, the council is able to direct the actions of the DCS

The Statement of Accounts for 2018/19 includes consolidated Group Accounts which include the activities of the Council and its ownership share of the profit realised by AfC for 2018/19 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:
1 x Managing Director
4 x Council Appointed Directors (Maximum 2 x per member)
6 x Non-Executive Independent Directors

AfC's audited statement of accounts for 2019/20 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%.

Note 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 Councils external auditors. Public Sector Audit Appointments has appointed Grant Thornton UK LLP as the external auditor for 2019/20.

2018/19		2019/20
£'000		**£'000**
85	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	85
35	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	39
120	**Total**	**124**

Grant Thornton are the external auditors of Achieving for Children CIC, a company jointly owned by the Council, the London Borough of Richmond and the Royal Borough of Windsor and Maidenhead. The external audit fee payable to Grant Thornton by Achieving for Children was £40k for 2019/20(£32k for 2018/19)

Note 31 Defined Benefit Pension 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 2019/20, the Council paid £2.035m to Teachers Pensions in respect of retirement benefits. The employer contributions percentage increased in September 2019 to 23.68%, previously 16.48% of pensionable pay. There were no contributions remaining payable at the year-end. The amount paid in 2018/19 was £4.068m, 16.48% of pensionable pay.

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 2019/20, the Council paid £0.030m in respect of NHS pensions retirement benefits, representing 20.6% of pensionable pay. The amount paid in 2018/19 was £0.093m which was 14.3% of pensionable pay. There were no contributions remaining payable at the year end.

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:

Note 31 Defined Benefit Pension Scheme (continued)

2018/19 £000	Comprehensive Income and Expenditure Statement	2019/20 £000
	Service cost comprising:	
20,838	- Current service cost	21,050
308	- Past service cost	1,499
(10,223)	- Settlements	(388)
	Financing and Investment Income & Expenditure	
(12,157)	- Interest income on plan assets	(12,195)
17,930	- Interest cost on defined benefit obligation	18,147
10,045	- Effect of Business combination	-
26,741	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**28,113**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(25,950)	- Return on plan assets (excluding the amount included in the net interest expense	60,119
-	- Actuarial (gains) and losses arising on changes in demographic assumptions	(17,246)
38,669	- Actuarial (gains) and losses arising on changes in financial assumptions	(55,249)
-	- Actuarial (gains)/losses arising from changes in membership assumptions	(37,195)
(285)	- Experience gain on defined benefit obligation	-
39,175	**Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(21,458)**
	Movement in Reserves Statement	
(26,741)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(28,113)
13,520	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	13,624

The re-measurement of the net defined liability in the Comprehensive Income and Expenditure Statement 2019/20 is a loss of £49.57m (2018/19 £12.43m loss). This relatively modest gain reflects the limited changes in financial assumptions between the two years.

Note 31 Defined Benefit Pension Scheme (continued)

Assets and Liabilities in Relation to Post-employment Benefits

Pension assets and liabilities recognised on the balance sheet

2018/19		2019/20
£'000		**£'000**
511,292	Fair value of plan assets	454,245
(738,753)	Present value of funded liabilities	(649,406)
(16,694)	Present value of unfunded liabilities	(13,876)
(244,155)	**Net Liability arising from defined benefit obligation**	**(209,037)**

Reconciliation of Fair Value of scheme assets:

2018/19		2019/20
£'000		**£'000**
470,219	**Balance at 1 April**	**511,292**
12,157	Interest income	12,195
8,572	Effect of business combinations and settlements	(538)
25,950	Remeasurement gain/loss:	(60,119)
13,520	Contributions from employer	12,370
2,968	Contributions from employees into the scheme	3,206
(22,094)	Benefits Paid	(24,161)
511,292	**Balance at 31 March**	**454,245**

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.

Note 31 Defined Benefit Pension Scheme (continued)

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-20	Quoted Prices in not Active Markets at 31-Mar-20	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Equity Security:				
- Consumer	22,186	-	22,186	5%
- Manufacturing	10,446	-	10,446	2%
- Energy & Utilities	8,685	-	8,685	2%
- Financial Institutions	16,608	-	16,608	4%
- Health and Care	14,816	-	14,816	3%
- Information Technology	23,048	-	23,048	5%
- Other	9,447	-	9,447	2%
Debt Securities	-	-	-	0%
Private Equity	-	-	-	0%
Real Estate				
- UK Property	20,506	-	20,506	5%
- Overseas Property	-	-	-	0%

Note 31 Defined Benefit Pension Scheme (continued)

Asset Category	Quoted Prices in Active Markets at 31-Mar-20	Quoted Prices in not Active Markets at 31-Mar-20	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Investment Funds and Unit Trusts:				
- Equities	191,040	-	191,040	42%
- Bonds	37,310	-	37,310	8%
- Hedge Funds	-	-	-	0%
- Commodities	-	-	-	0%
- Infrastructure	-	-	-	0%
- Other	94,821	-	94,821	21%
Derivatives:				
- Inflation	-	-	-	0%
- Interest rates	-	-	-	0%
- Foreign Exchange	-	-	-	0%
- Other	-	-	-	0%
Cash and Cash equivalents				
- All	5,685	-	5,685	1%
Total	454,598	-	454,598	100%

Note 31 Defined Benefit Pension Scheme (continued)

Reconciliation of fair value of scheme liabilities:

2018/19		2019/20
£'000		**£'000**
688,719	**Balance at 1 April**	**755,447**
20,838	Current Service Cost	21,050
17,930	Interest Cost	18,147
-	Effect of business combinations and settlements	(926)
2,968	Contributions by Members	3,206
-	Actuarial (gains)/losses arising from changes in demographic assumptions	(17,246)
38,669	Actuarial (gains)/losses arising from changes in financial assumptions	(55,249)
8,109	Actuarial (gains)/losses arising from changes in membership assumptions	(37,195)
308	Past Service Cost	1,499
(22,094)	Benefits Paid	(25,415)
755,447	**Balance at 31 March**	**663,318**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £664.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. 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.

Note 31 Defined Benefit Pension Scheme (continued)

Basis for Estimating Assets and 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 2019. The principal assumptions used by the actuary have been:

2018/19		2019/20
%		%
2.5	Rate of Inflation	1.9
2.9	Rate of Increase in Salaries	2.3
2.5	Rate of Increase in Pensions	1.9
2.4	Rate of Return on Assets	2.3
2.4	Rate for Discounting Scheme Liabilities	2.3
50% pre-2008 service	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	50% pre-2008 service
75% post-2008 service		75% post-2008 service
Years		**Years**
22.5	Longevity at 65 for Current Pensioners - Men	21.7
24.8	Longevity at 65 for Current Pensioners - Women	23.9
24.2	Longevity at 65 for Future Pensioners - Men	22.6
26.7	Longevity at 65 for Future Pensioners - Women	25.5

Note 31 Defined Benefit Pension Scheme (continued)

Sensitivity analysis:

Change In Assumptions at 31st March	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	8%	55,200
0.5% increase in the Salary Increase Rate	0%	3,107
0.5% increase in the Pension Increase Rate	8%	51,805

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 2019 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:

2018/19		2019/20
%		**%**
59	Equity investments	65
6	Property	5
12	Bonds	8
22	Other Investment Funds and Unit Trusts	21
1	Cash	1
100		100

Note 32 Contingent Liabilities

Achieving for Children CIC

This company is jointly owned by the Council, the London Borough of Richmond and the Royal Borough of Windsor and Maidenhead and has a pension deficit of £53.105m as at 31 March 2019. 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 pensions' deficit 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.

Kingfisher Leisure Centre

The swimming pool at the Kingfisher Leisure Centre was closed during 2019 for routine maintenance, during which a structural issue with the roof was found. As a result the whole centre was closed, which has led to a loss of income. However, due to the COVID-19 pandemic the centre would have been required to close in March 2020 anyway.

Further investigation is underway to determine the extent of works to make it safe to reopen, but it is considered unlikely to be possible within the next 12 months.

There is clearly a financial impact from the closure but since further information is required before any decision can be made, it is not possible to make an assessment of the overall impact at this point.

Note 33 Events after the Balance Sheet date

There were no material events after the end of the financial year which need to be reported.

Note 34 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.

Gross Investment:

31 Mar 2019		31 Mar 2020
£'000		**£'000**
	Finance lease debtor (net present value of minimum lease payments)	
23	- current	25
7,420	- non-current	7,395
19,027	Unearned finance income	18,883
126	Unguaranteed residual value of property	126
26,596	**Gross investment in the lease**	**26,429**

Reconciliation between gross investment in the lease and minimum lease payment:

31 Mar 2019		31 Mar 2020
£'000		**£'000**
26,596	Gross investment in the lease	26,429
(126)	less unguaranteed residual value of property	(126)
26,470		**26,303**

Note 34 Leases (continued)

Operating Leases

31 Mar 2019 Restated		31 Mar 2020
£'000		£'000
(3,175)	Not later than one year	(3,302)
(11,877)	Later than one year and not later than five years	(11,670)
(9,295)	Later than five years	(9,523)
(24,347)	**Gross investment in the lease**	**(24,495)**

The operating lease disclosure for 2018-19 has been restated to remove finance lease rental income wrongly included in this amount, as well as add in two operating leases that were omitted.

6. Housing Revenue Account

Income and Expenditure Statement - **this shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.**

Statement of Movement on the Housing Revenue Account Balance - **this shows the increase or decrease in the year, on the basis of which rents are raised**

Housing Revenue Account (HRA) Income and Expenditure Statement

2018/19	HRA Income and Expenditure Statement	Notes	2019/20
£'000			**£'000**
	Expenditure		
4,736	Repairs and maintenance		4,934
11,143	Supervision and management		12,322
74	Rents, rates, taxes and other charges		75
570	Special Services		691
9,332	Depreciation and impairment of non-current assets		9,151
(2,462)	HRA Property Revaluations		(6,641)
15	Debt management costs		15
131	Movement in the allowance for bad debts		432
732	Other revenue expenditure funded from capital under statute		1,355
24,271	**Total Expenditure**		**22,334**
	Income		
(27,017)	Gross rent from Council dwellings		(27,036)
(499)	Gross non dwellings rent		(523)
(5,024)	Charges for services and facilities		(2,505)
(1,042)	Contributions towards expenditure		(663)
(1,552)	Leaseholders charges for services and facilities		(1,206)
(35,135)	**Total Income**		**(31,933)**
(10,864)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(9,599)
189	Add HRA services share of Corporate and Democratic Core		81
(10,674)	**Net Cost of HRA Services**		**(9,518)**

2018/19	HRA Income and Expenditure Statement	Notes	2019/20
£'000			**£'000**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(3,050)	Gain or (loss) on sale of HRA non-current assets		(2,422)
328	Net interest on the net defined benefit liability		381
4,612	Interest payable and similar charges		4,587
(130)	Interest and investment income		(180)
20	Income, expenditure and changes in the fair values of investment properties		(65)
-	Other expenditure		906
(8,895)	**(Surplus)/Deficit for the Year on HRA Services**		**(6,311)**

Statement of Movement on the Housing Revenue Account Balance

2018/19	Statement of Movement on the Housing Revenue Account Balance	2019/20
£'000		£'000
(6,184)	**Balance on the HRA at the end of the previous year**	**(7,484)**
(8,895)	Surplus/(Deficit) on the HRA Income and Expenditure Statement (MIRS)	(6,311)
7,244	Adjustments between accounting basis and funding basis under statute (see Note 10 - Notes to the Financial Statements)	6,592
(1,650)	**Net increase before transfers to or from reserve**	**281**
350	Transfers (to)/from reserves	-
350	**(Increase) or decrease in year on the HRA (MIRS)**	**281**
(7,484)	**Balance on the HRA at the end of the current year**	**(7,203)**

Notes to the Housing Revenue Account

HRA 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.

Total 2018/19		Total 2019/20
	Flats	
894	- low rise (up to 2 storeys)	890
2,004	- medium rise (3-5 storeys)	1,994
420	- high rise (6+ storeys)	419
3,318	**Total Flats**	**3,303**
1,233	Houses and Bungalows	1,230
31	Equivalent number of dwellings for multi-occupied premises (hostels)	31
20	Shared Ownership	20
4,602	**Total Stock**	**4,584**

HRA 2. Stock Valuation

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

At 31 March 2019		At 31 March 2020
£'000		**£'000**
	Operational Assets:	
376,324	Council Dwellings	381,044
12,483	Other Land and Buildings	11,615
782	Investment Properties	846
389,589	**Total**	**393,505**
1,466,517	Vacant possession value of dwellings within the authority's HRA as at 31 March in the financial year	1,482,533

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.

HRA 3. Major Repairs Reserve

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.

2018/19		2019/20
£'000		**£'000**
-	Balance brought forward	(1,026)
	Transactions with HRA Income & Expenditure Statement	
(9,332)	Contribution to Major Repairs Reserve	(9,151)
	Adjustments between accounting and funding basis	
8,305	Capital expenditure charged against HRA balances	5,754
(1,026)	**Balance carried forward at 31 March**	**(4,423)**

HRA 4. Capital Expenditure Financing

Capital expenditure amounted to £8.975m (£14.52m in 2018/19). The following summary shows how this was funded:

2018/19		2019/20
£'000		**£'000**
14,524	**HRA Capital Expenditure**	**8,975**
	Financed by:	
-	Borrowing	-
-	Government Grants	(328)
(2,869)	Capital Receipts Reserve	(2,201)
(3,349)	Revenue Contributions	(692)
(8,305)	Major Repairs Reserve	(5,754)
(14,524)	**Total financing**	**(8,975)**

HRA 5. Capital Receipts

During the year the following movements took place on the Authority's HRA capital receipts reserve:

2018/19		2019/20
£'000		£'000
(8,535)	Balance brought forward	(10,047)
	Transactions with Comprehensive Income & Expenditure Statement Adjustments between Accounting Basis and Funding Basis	
(5,142)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,546)
-	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-
-	Refund of Retained one for one replacement receipts & interest	907
2,869	Use of capital receipts to finance capital expenditure	2,201
71	Contribution towards administrative cost of non-current asset disposals	51
690	Financing of payment to Government Capital Receipts Pool	690
(10,047)	**Total**	**(9,744)**

HRA 6. Depreciation

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

2018/19	Depreciation	2019/20
£'000		**£'000**
8,667	Council Dwellings	8,659
604	Other Land and Buildings	430
46	Vehicles, plant, furniture and equipment	47
9,316	**Total**	**9,136**

The HRA split of assets between operational and non-operational is detailed in the Accounting Policies.

HRA 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 in the General Fund).

At 31 March 2019	Tenant Rent and Service Charge Arrears	At 31 March 2020
£'000		**£'000**
2,999	Gross rent arrears	2,880
(1,820)	Provision for bad & doubtful debts	(1,914)
1,178	**Total**	**966**

HRA 8. IAS 19 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 6.4% of the Authority's total contribution – being the proportion of total employees pay met from the Housing Revenue Account. Note 31 to the Main Financial Statements provides further details.

2018/19		2019/20
£'000		**£'000**
	Transactions with Comprehensive Income & Expenditure Statement Adjustments between Accounting Basis and Funding Basis	
(1,513)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 9)	(1,729)
677	Employers' pensions contributions and direct payments to pensioners payable in the year	795
(836)		**(934)**
	Other income & expenditure	
328	Pensions interest cost and expected return on pension assets	381
(508)		**(553)**

HRA 9. Provisions

A High Court ruling, published in March 2016, and a further ruling in November 2019 established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. The discounts were granted under an agreement with the water company and acted as an administration fee for collection of charges on behalf of the water authority. The result of this ruling is that local authorities and housing associations, including Kingston, may face claims from tenants for overpaid water charges. Whilst the value of individual claims may be relatively small, collectively, due to the number of properties the Council manages, the potential liability has been assessed at up to £0.75m. The outcome of this is not certain, but it is felt prudent to make this provision.

7. Collection Fund

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

Collection Fund Income and Expenditure Account 2019/20

		2018/19		Note			2019/20
Business Rates	**Council Tax**	**Total**			**Business Rates**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
			Income				
-	(110,573)	(110,573)	Council Tax collectable		-	(118,342)	(118,342)
(87,169)	-	(87,169)	Business Rates collectable		(85,394)	-	(85,394)
(2,635)	-	(2,635)	Business Rates Supplement collectable		(2,639)	-	(2,639)
(89,804)	**(110,573)**	**(200,377)**			**(88,033)**	**(118,342)**	**(206,375)**
			Expenditure				
			Precepts & Demands	CF3&4			
-	-	-	Central Government		21,640	-	21,640
31,067	18,338	49,405	Greater London Authority		23,372	20,130	43,502
55,231	92,086	147,317	Royal Borough of Kingston		41,550	97,424	138,974
242	-	242	Costs of Collection		239	-	239
86,540	**110,424**	**196,964**			**86,801**	**117,554**	**204,355**
			Business Rate Supplement				
2,629	-	2,629	Payment to levying authority		2,633	-	2,633
6	-	6	Administrative costs		6	-	6
2,635	**-**	**2,635**			**2,639**	**-**	**2,639**

Collection Fund Income and Expenditure Account 2018/19 (continued)

		2018/19		Note			2019/20
Business Rates	**Council Tax**	**Total**			**Business Rates**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
			Impairment of Debts/Appeals				
(22)	135	113	Write-offs of uncollectible amounts		194	32	226
3,013	-	3,013	Appeals provision		2,919	-	2,919
(2,281)	-	(2,281)	Refunds to successful Appeals		(2,910)	-	(2,910)
323	-	323	Transitional Relief		(149)	-	(149)
1,095	243	1,338	Allowance for impairment		-	558	558
2,128	**378**	**2,506**			**54**	**590**	**644**
			Contributions towards previous year's estimated Collection Fund Surplus				
787	74	861	RBK		1,034	-	1,034
533	14	547	GLA		1,576	-	1,576
1,304	-	1,304	Government		1,630	-	1,630
2,624	88	2,712			4,240	-	4,240
4,123	**317**	**4,440**	**Movement on Fund Balance**	**CF5**	**5,701**	**(198)**	**5,503**

Notes to the Collection Fund

CF 1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, in this case for the Royal Borough of Kingston upon Thames. The revenue account shows the transactions into the Fund by way of Council Tax and National Non-Domestic Rates (NNDR) and how the amount collected has been distributed to preceptors and the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent years. Deficits likewise are proportionately charged to the relevant precepting bodies in the following years.

CF 2. 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 2019/20 it was calculated as follows:

Valuation Office estimated market value as at April 1991	Band	Actual Number	Adjusted Number	Ratio	Band D Equivalent Dwellings
Less Than £40,000	A	602	311	6/9	207
£40,001 - £52,000	B	3,428	1,752	7/9	1,363
£52,001 - £68,000	C	15,236	11,059	8/9	9,830
£68,001 - £88,000	D	20,163	16,817	9/9	16,817
£88,001 - £120,000	E	14,611	15,773	11/9	15,773
£120,001 - £160,000	F	8,295	10,914	13/9	10,914
£160,001 - £320,000	G	4,151	6,550	15/9	6,550
£320,001 or more	H	985	1,671	18/9	1,671
		67,471	64,847		63,125
Estimated collection rate for 2019/20	99.20%				62,620
Contributions in lieu (MoD properties)					186
Tax Base for 2019/20					**62,806**

CF 3. Council Tax Income

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.

CF 4. 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 2019/20 and are shown below, along with the 2018-19 rates for comparison;

2018/19		2019/20
%		**%**
64	Royal Borough of Kingston	48
36	Greater London Authority	27
-	Central Government	25
100	Total	100

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

2018/19		2019/20
£'000		**£'000**
211,486	Total non-domestic rateable value at year end	210,040

pence per £		**pence per £**
49.3	Standard non-domestic multiplier	50.4
48.0	Small business non-domestic multiplier	49.1

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 2019/20 has been calculated at £2.400m (£2.390m in 2018/19) with RBK's share totalling £1.152m (£1.530m in 2018/19).

CF 5. 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 creditor.

CTax 2018/19	NNDR 2018/19	Total 2018/19		CTax 2019/20	NNDR 2019/20	Total 2019/20
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
(392)	(7,563)	(7,955)	Balance brought forward	(75)	(3,432)	(3,507)
	8	8	Adjustment to balance brought forward			-
317	4,123	4,440	Movement in year	(198)	5,701	5,503
(75)	(3,432)	(3,507)	**Balance carried forward**	(273)	2,269	1,996

The deficit on the Collection Fund Balance relates to:

RBK	- £0.989m: Council tax – (£0.226m); NNDR – £1.215m
Greater London Authority	- £0.638m: Council tax – (£0.047m); NNDR – £0.685m
Central Government	- £0.369m: Council tax - (£0.000m); NNDR - £0.369m

8. Group Accounts

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2020

Gross Expenditure 2018/19	Gross Income 2018/19	Net Expenditure 2018/19		Notes	Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
81,601	(24,454)	57,147	Adult Social Care		80,529	(25,684)	54,845
1,826	(129)	1,697	Chief Executive's		1,559	(182)	1,377
54,626	(34,627)	19,999	Communities		58,787	(35,762)	23,024
118,861	(101,860)	17,001	Corporate and Commercial		121,647	(92,703)	28,944
11,756	(4,520)	7,236	Growth		9,113	(3,765)	5,347
47,409	(27,134)	20,275	Children's Services		77,230	(27,979)	49,251
65,301	(62,075)	3,226	Children's Services (schools)		61,156	(67,751)	(6,595)
24,760	(35,435)	(10,674)	Housing Revenue Account		22,767	(32,285)	(9,518)
406,141	**(290,234)**	**115,907**	**Cost of Services**		**432,788**	**(286,111)**	**146,675**

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2020 (continued)

Gross Expenditure 2018/19	Gross Income 2018/19	Net Expenditure 2018/19		Notes	Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20
£000	**£000**	**£000**			**£000**	**£000**	**£000**
2,850	-	2,850	Other operating expenditure	6	4,349	-	4,349
30,766	(9,240)	21,526	Financing and investment income and expenditure	7	19,010	(9,104)	9,906
-	(144,780)	(144,780)	Taxation and non-specific grant income	8	-	(149,473)	(149,473)
439,757	**(444,254)**	**(4,498)**	**(Surplus) or deficit on the provision of services**		**444,265**	**(432,805)**	**11,457**
		6,165	Surplus or deficit on Achieving for Children (AfC) based on equity share				(840)
		1,668	**Group (surplus) or deficit**				**10,617**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(33,921)	Surplus or deficit on revaluation of non-current assets	12a			(12,413)
		12,434	Actuarial gains or losses on pension assets and liabilities	12c			(49,571)
		-	AfC other comprehensive income and expenditure				
		(21,486)					(61,984)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		-	Surplus or deficit on revaluation of available-for-sale financial assets				-
		(21,486)	**Other comprehensive income and expenditure**				**(61,984)**
		(19,818)	**Total comprehensive income and expenditure (surplus)/deficit**				**(51,367)**

Group Movement in Reserves Statement

2019/20	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Non-usable Reserves	Total Authority Reserves	Council's Share of AfC Reserves	Total Reserves
	Usable Reserves									
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(28,819)	(7,484)	(13,651)	(1,026)	(16,555)	**(67,535)**	**(394,664)**	**(462,198)**	24,859	**(437,339)**
Movement during 2019/20:										
Total Comprehensive Expenditure and Income	17,767	(6,311)	-	-	-	**11,456**	(61,984)	**(50,528)**	**840**	**(49,688)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(19,273)	6,592	(3,188)	(3,398)	452	**(18,815)**	**18,815**	**-**	**-**	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(1,506)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(43,169)**	**(50,528)**	840	**(49,688)**
Transfers to / (from) Earmarked Reserves	-	-	-	-	-	**-**	**-**	**-**		**-**
Increase / (Decrease) in Year	**(1,506)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(43,169)**	**(50,528)**	**840**	**(49,688)**
Balance at 31 March 2020	**(30,325)**	**(7,203)**	**(16,839)**	**(4,424)**	**(16,103)**	**(74,894)**	**(437,833)**	**(512,726)**	**25,699**	**(487,027)**

Group Movement in Reserves Statement (continued)

2018/19 Comparative	Usable Reserves: Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Non-usable Reserves	Total Authority Reserves	Council's Share of AfC Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	(29,073)	(6,184)	(4,831)	-	(17,878)	**(57,966)**	**(378,249)**	**(436,215)**	18,694	**(417,521)**
Movement during 2018/19:										
Total Comprehensive Expenditure and Income	4,397	(8,895)	-	-	-	**(4,498)**	**(21,487)**	**(25,983)**	6,165	**(19,818)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(3,793)	7,244	(8,820)	(1,026)	1,323	**(5,071)**	**5,071**	**-**	-	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**604**	**(1,651)**	**(8,820)**	**(1,026)**	**1,323**	**(9,569)**	**(16,416)**	**(25,983)**	6,165	**(19,818)**
Transfers to / (from) Earmarked Reserves	(350)	350	-	-	-	**-**	**-**	**-**	-	**-**
Increase / (Decrease) in Year	**254**	**(1,301)**	**(8,820)**	**(1,026)**	**1,323**	**(9,569)**	**(16,416)**	**(25,983)**	**6,165**	**(19,818)**
Balance at 31 March 2019	**(28,819)**	**(7,485)**	**(13,651)**	**(1,026)**	**(16,555)**	**(67,535)**	**(394,665)**	**(462,198)**	**24,859**	**(437,339)**

Group Balance Sheet

31 March 2019		Notes	31 March 2020
£'000			**£'000**
	Long Term Assets		
879,849	Property, plant and equipment	13a	889,334
1,209	Heritage assets	13b	1,209
85,080	Investment property	14	85,812
4,960	Intangible assets	13c	6,875
5,207	Long term investments	17	5,165
7,421	Long term debtors	17	7,410
983,726	**Total Long Term Assets**		**995,805**
	Current assets		
337	Asset held for sale	15	337
30,609	Short term investments	17	25,884
41	Inventories		41
46,517	Short term debtors	18	38,616
4,651	Cash and cash equivalents	20	23,681
82,155	**Total Current Assets**		**88,559**

Group Balance Sheet (continued)

31 March 2019		Notes	31 March 2020
£'000			**£'000**
	Current Liabilities		
(2,274)	Short term borrowing	17	(1,646)
(55,425)	Short term creditors	19	(50,345)
(2,773)	Provisions	21	(2,876)
(815)	Grants receipts in advance		(118)
(61,287)	**Total Current Liabilities**		**(54,985)**
	Long Term Liabilities		
(3,000)	Long term creditors		(2,996)
(294,038)	Long term borrowing	17	(303,831)
(244,155)	Other long term liabilities		(209,037)
(1,203)	Provisions	21	(789)
(24,859)	RBK share of AfC liability		(25,699)
(567,255)	Total Long Term Liabilities		**(542,352)**
437,339	**Net Assets**		**487,027**

	Reserves		
(67,535)	Usable reserves		(74,893)
(394,664)	Unusable reserves	12	(437,834)
24,859	RBK share of AfC reserves		25,699
(437,339)	**Total Reserves**		**(487,027)**

Group Cash Flow Statement

2018/19			2019/20
£000		Notes	**£000**
1,668	Net (surplus) or deficit on the provision of services		10,617
(13,320)	Adjustment to the net surplus or deficit on the provision of services for non-cash movements		(21,092)
17,494	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities		20,949
5,841	Net cash flows from operating activities		10,474
4,898	**Net cash flows from investing activities**	23	(21,003)
5,774	**Net cash flows from financing activities**	24	(8,500)
16,513	**Net increase/(decrease) in cash and cash equivalents**		**(19,030)**
	Represented by:		
21,164	Cash and cash equivalents at the beginning of the reporting period	20	4,651
(16,513)	Net increase/(decrease) in cash and cash equivalents	20	19,030
4,651	**Cash and cash equivalents at the end of the reporting period**		**23,681**

Notes to the Group Accounts

G1. Introduction

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 the Group Accounts. The accounting policies of the subsidiary are in line with the Council's accounting policies.

G2. Group external audit costs

The Council's share in respect of audit fees payable to Grant Thornton amounts to £16k and £2k for other audit services. This reflects a 40% share of the Council's share of fees disclosed in AfC accounts (audit fees £40k and £4k teacher's pension return).

Achieving for Children CIC

The Council has significant interests in a number of entities, including Subsidiaries, Associates, and Investments. Significant interests have been identified as:

AFC. The Company is wholly owned by three Councils who are determined to be Going Concerns. The Company is able to borrow from the Councils under a Revolving Credit Facility to ensure short term cash
flow and the Councils are contractually committed to procuring children's services from AfC for seven years from April 2014 (Richmond and Kingston) and seven years from August 2017 (Windsor and Maidenhead). Richmond and Kingston have recently agreed to use the contract extension to commission services until 31 March 2026.

G3. Major sources of estimation uncertainty

The Council 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. The asset valuations are based on market prices. This is to ensure that the Authority does not materially misstate it's non-current assets and values reflect current values.

The Council's property portfolio is valued on a rolling basis by **Montagu Evans LLP, Chartered Surveyor** under the instruction of the Council's Asset services. The valuation bases are in accordance with the Statement of Asset Valuation Practise and Guidance note of the Royal Institute of Chartered Surveyors. Therefore, values have been based on the situation prior to Covid-19.

The outbreak of coronavirus COVID-19 represents one of the most significant global public health crises in recent memory and is causing major disruption and unprecedented volatility in markets, economies and businesses. The longer-term societal and real estate implications could continue to be felt over the years to come. Mitigation activities will last for several months and it will take some time to reach a full recovery. However, it is only over time that market activity will dictate whether there are long term property valuation implications but in the short term in the absence of actual market evidence, changes in market sentiment are most likely to have an identifiable impact on our approach to valuation

Achieving for Children CIC has been assessed as a Going Concern. Despite the significant accounting losses reported in these Accounts, the Board and Senior Leadership Team have made significant progress in identifying how these financial challenges will be met and continues to develop these plans. The Board's Medium Term Financial Plan outlines these financial plans in more detail and addresses what actions are being taken to reduce the Company's cost base to accommodate proposed reductions in the owners' contract prices over the next three years. As with the parent Councils, the Company will revise pension contributions in line with the most up to date actuarial assessment and guidance. An assessment was carried out as at 31st March 2016 and the increased employer contribution rate (16% from 15.5%) was applied from 1st April 2017. A further increase to 19% will be applied and funded from 1 April 2020 following the most recent triennial valuation.

G3. Major sources of estimation uncertainty (continued)

Assets Valuation uncertainty and general assumptions:

Refer to note 4 and 13a above for more information.

Actuarial valuation of pension assets and liabilities

The total comprehensive income for the year 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 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.

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

Change assumptions at 31 March 2020	Approx % increase to employer liability	Approx monetary increase
	%	£'000
0.5% decrease in real discount rate	13	18,198
0.5% increase in the salary rate	1	2,013
0.5% increase in the pension increase rate	12	16.045

G4. Group cash flows from operating activities

2018/19		2019/20
£'000		**£'000**
(390)	Interest received	(628)
8,283	Interest paid	10,999
7,893	**Total**	**10,371**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(29,768)	Depreciation	(29,752)
14,505	Impairment and downward revaluations	7,584
(1,631)	Amortisation	(1,704)
(3,450)	Increase / (decrease) in impairment for bad debts	(320)
(1,167)	Increase / (decrease) in creditors	4,910
6,737	(Increase) / decrease in debtors	(7,912)
(5)	(Increase) / decrease in inventories	-
13,221	Movement in Pension Liability	14,453
(6,828)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(9,990)
-		
	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	
(65)	Provisions	311
1,295	Movement in the value of investment properties	519
(6,165)	Surplus or deficit on AfC based on Equity share	840
(13,320)	**Total non-cash adjustments**	**(21,092)**
5,228	Capital Grants credited to surplus or deficit on the provision of services	14,063
12,266	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,886
17,494	**Total adjustments for investing or financing activities**	**20,949**

9. Pension Fund Accounts

These show the income and expenditure of the Kingston Local Government Pension Fund in relation to current employees and pensioners, investment transactions and the position of the Fund at year end including future liabilities.

Fund Account for the year ended 31 March 2020

2018/19			2019/20
£'000		**Note**	**£'000**
	Dealings with members, employers and others directly involved in the Fund		
(33,907)	Contributions	7	(34,977)
(20,438)	Transfers in from other pensions funds	8	(7,648)
(54,345)			(42,625)
31,141	Benefits	9	31,869
5,445	Payments to and on account of leavers:	10	6,512
36,586			38,381
(17,759)	**Net (additions) / withdrawals from dealings with members**		**(4,244)**
7,584	Management expenses	11	8,841
(10,175)	**Net (additions)/withdrawals including fund management expenses**		**4,597**
	Returns on Investments		
(9,068)	Investment income	12	(9,501)
80	Taxes on income	13	48
(45,020)	(Profit) loss on disposal of investments and changes in the market value of investments	16b	25,739
(54,008)	**Net Return on Investments**		**16,286**
(64,183)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		20,883
(770,278)	**Opening Net Assets of the Scheme**		**(834,461)**
(834,461)	**Closing Net Assets of the Scheme**		**(813,578)**

Net Assets Statement for the year as at 31 March 2020

2018/19		Note	2019/20
£'000			**£'000**
150	Long term assets		150
867,895	Investment assets	14	799,651
868,045	**Total Net Investments**		**799,801**
13,462	Current assets	20	15,707
(47,046)	Current liabilities	21	(1,930)
834,461	**Net Assets of the Fund available to fund benefits at the end of the reporting period**		**813,578**

Notes to the Pension Fund Accounts

PF Note 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 Fund is governed by the Public Service Pensions Act 2013 and is administered under the following regulations:

- 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
- the LGPS (Amendment) Regulations 2018

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.

b). 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 Executive Director of Corporate & Communities (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 Executive Director of Corporate & Communities (S151 Officer)

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 2020 were as follows:

PF Note 1 - Description of the Fund (continued)

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

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2018/19		2019/20
No.		**No.**
27	Number of Employers with active members	29
	Active Members	
2,551	Royal Borough of Kingston upon Thames	2,657
1,976	Scheduled bodies	1,973
713	Admitted bodies	708
5,240		5,338
	Deferred Members	
3,514	Royal Borough of Kingston upon Thames	3,545
1,619	Scheduled bodies	1,748
221	Admitted bodies	266
5,354		5,559
	Pensioners (including Dependents)	
3,607	Royal Borough of Kingston upon Thames	3,675
911	Scheduled bodies	964
117	Admitted bodies	134
4,635		4,773
15,229	**Total**	**15,670**

PF Note 1 - Description of the Fund (continued)

d). Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Key details of the scheme's variants are shown in the table below. Accrued pension is uprated annually in line with the Consumer Prices Index.

	Service pre 1 April 2008	Service 1 March 2008 to 31 March 2014	Service post 31 March 2014
Pension	Accrual rate per annum of 1/80th of final pensionable pay	Accrual rate per annum of 1/60th of final pensionable pay	Accrual rate per annum of 1/49th of current year's pensionable pay
Lump sum	Automatic lump sum of 3 x pension. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	No automatic lump sum. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	

There are other benefits provided by the LGPS including early retirement, disability pensions and death benefits. Further information is available here https://www.kingston.gov.uk/info/200285/financial_information/748/pensions/6.

e). Funding

The Pension Fund is financed by contributions from employees, employers (including the Council, admitted and scheduled bodies) and from 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 2019. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

In 2019/20, employer contribution rates ranged from 15.0% to 26.2% of pensionable pay. Employer contribution rates payable from 1 April 2019 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.

PF Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position as at 31 March 2020 .The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' (the Code) 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 provide 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 2020 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.

PF Note 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.

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 except when they are significant and material. 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. 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 Expenses (2016).*

• 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.

• 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. The cost of obtaining investment advice from external consultants is included here.

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.

PF Note 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.

PF Note 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:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Acturial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, 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 Authority with expert advice about the assumptions to be applied.	The effects on the net pension fund liability for the Royal Borough of Kingston Pension Fund can be measured. For example a 0.5% decrease in the discount rate assumption would result in an approximate increase of £107m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £28m and a 0.5% increase in the salary increase rate would increase the liability by approximately £7m.
	There is further uncertainty arising from a legal challenge to the Government’s transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused appeal to the Supreme Court in June 2019 and now it is for the Scheme Advisory Body to determine how this matter is to be resolved.	The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council’s actuaries have applied the same assumptions as used to prepare the IAS26 report to the remedies in the GAD review which indicate a potential increase in pension liabilities of 0.3%, or £2.8m. This figure is based on a worst case scenario and the impact will be reduced if the remedies proposed are not as extensive as in the original GAD report.
Pooled property funds	The assets held by the Pension Fund include properties and assets managed by Fund Managers on a pooled basis. As the assets are unquoted, values are estimated by Fund Managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. Due to the Covid-19 pandemic, there was very limited observable or reliable market data relating to property asset transactions at 31 March 2020, and there was significant uncertainty about revenue projections. Valuations are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case.	The potential impact of this uncertainty cannot be measured accurately. Total property funds held by the Pension Fund are valued at £43.4m, and a 10% change in the valuation of property would therefore equate to a difference of £4.34m in Fund value.

PF Note 6 - Events after the reporting period end

The Statement of Accounts was authorised for issue by the Executive Director of Corporate & Communities (S151 Officer) on 6 August 2020.
At this date there was one non-adjusting event to report:
The latest value of the investments of the Fund show an increase from £799.7m to £913.6 (as valued at 30 June 2020). This is an increase of £114m or 14.3%.

PF Note 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

Category:

2018/19		2019/20
£'000		**£'000**
(7,608)	Employees' contributions	(7,794)
	Employers' contributions	
(21,623)	Normal Contributions	(22,265)
(4,676)	Deficit Recovery Contributions	(4,918)
(33,907)		**(34,977)**

Authority:

2018/19		2019/20
£'000		**£'000**
(15,177)	Royal Borough of Kingston Upon Thames	(16,446)
(14,230)	Scheduled bodies	(14,146)
(4,500)	Admitted bodies	(4,385)
(33,907)		**(34,977)**

PF Note 8 - Transfers in from other pension funds

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

2018/19		2019/20
£'000		**£'000**
(7,913)	Individual transfers	(6,292)
(12,525)	Group transfers	(1,356)
(20,438)		**(7,648)**

PF Note 9 - Benefits payable

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

Category:

2018/19		2019/20
£'000		**£'000**
25,310	Pensions	26,595
4,804	Commutation and Lump sum retirement benefits	4,297
1,027	Lump sum death benefits	977
31,141		**31,869**

Authority:

2018/19		2019/20
£'000		**£'000**
22,656	Royal Borough of Kingston Upon Thames	22,853
7,454	Scheduled bodies	7,937
1,031	Admitted bodies	1,079
31,141		**31,869**

PF Note 10 - Payments to and on account of leavers

2018/19		2019/20
£'000		**£'000**
198	Refunds to members leaving service	371
877	Group transfers	1,305
4,370	Individual transfers	4,836
5,445		**6,512**

PF Note 11 - Management expenses

2018/19		2019/20
£'000		**£'000**
638	Administration Expenses	605
6,626	Investment Management Expenses	7,834
320	Oversight and Governance	402
7,584		**8,841**

The above table includes audit costs within Oversight and Governance which total £16k in 2019/20 (£16k in 2018/19).

PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS. Additional cost disclosures have been provided by fund managers following the publication of the LGPS cost transparency code in May 2017 by the Scheme Advisory Body. The use of a standardised cost template has enabled transaction costs and indirect management costs to be identified and accounted for. The Fund has always borne these costs but typically they were deducted either from the net asset value or from investment income so that they were hidden within the Fund.

2018/19		2019/20
£'000		**£'000**
4,008	Management Fees	4,090
90	Performance Fees	-
64	Custody Fees	47
2,464	Transaction Costs	3,697
6,626		**7,834**

PF Note 12 - Investment income

2018/19		2019/20
£'000		**£'000**
(3,542)	Equity Dividends	(4,474)
	Pooled Investments:	
(1,725)	- Fixed Income	(822)
(864)	- Property	(1,054)
(2,774)	- Multi-Asset	(3,064)
-	- Credit	(74)
(20)	Interest on Cash Deposits	(12)
(143)	Other	(1)
(9,068)		**(9,501)**

PF Note 13 - Taxes on income

2018/19		2019/20
£'000		**£'000**
70	Withholding tax - equities	48
10	Withholding tax - pooled	-
80		**48**

PF Note 14 - Investments

2018/19	Investment Assets	2019/20
£'000		**£'000**
	Equities - quoted:	
11,667	UK	8,271
179,606	Overseas	167,862
	Pooled Investment Vehicles - UK:	
391,722	Equities	384,503
101,463	Fixed Income - Public Sector	62,343
21,476	Fixed Income - Corporate	41,837
47,333	Property	43,465
32,126	Credit	27,678
3,724	Other	22,967
	Pooled Investment Vehicles - Overseas:	
37,419	Fixed Income - Corporate	34,660
	Other Investment Balances	
40,582	Cash deposits	5,327
988	Accrued income and recoverable taxes	824
(212)	Amount payable for purchases of investments	(86)
867,894	**Total Net Investment Assets**	**799,651**

PF Note 14a - Analysis of Pooled Investment Vehicles

Pooled Investment Vehicles:			Other managed funds:			
2019/20	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
- Equities	149,217	200,990	34,296	0	0	384,503
- Fixed Income	48,782	0	55,398	34,660	0	138,840
- Property	2,851	0	40,614	0	0	43,465
- Credit	0	0	27,678	0	0	27,678
- Other	16,071	0	6,896	0	0	22,967
	216,921	**200,990**	**164,882**	**34,660**	**0**	**617,453**

*OEIC - “Open-ended Investment Company: an investment company that will issue (or redeem) shares on a regular basis in response to investor demand.
*SICAV - “Société d'investissement à capital variable”, similar to an OEIC but used in Europe.

Pooled Investment Vehicles:			Other managed funds:			
2018/19	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
- Equities	157,630	185,110	41,609		7,374	391,723
- Fixed Income	69,068	988	46,689	34,126	9,488	160,358
- Property	43,876	3,458				47,335
- Infrastructure						0
- Credit			32,126			32,126
- Other	14,240	456	4,146	3,293	18,674	40,809
	284,814	**190,012**	**124,570**	**37,419**	**35,536**	**672,351**

PF Note 14b - Reconciliation of movements in investments

2019/20	Value 31 March 2019	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities	191,273	118,857	(123,030)	(10,967)	176,133
Pooled Investment Vehicles:					
- Equities	337,551	1,599	(1,813)	(8,207)	329,130
- Fixed Income	71,200	157	473	1,376	73,206
- Property	41,027	-	(745)	332	40,614
- Multi-Asset	186,220	3,098	(38,121)	(4,372)	146,825
- Credit	32,126	74	(382)	(4,140)	27,678
Sub-total Investments	**859,397**	**123,785**	**(163,618)**	**(25,978)**	**793,586**
Other Investment Balances:					
Cash deposits*	7,723			196	5,327
Trade receivables / payables	(213)			44	(86)
Accrued income and recoverable taxes	988			-	824
Net Investment Assets	**867,895**			**(25,738)**	**799,651**

*Excludes cash held by Multi Asset Funds

PF Note 14b - Reconciliation of movements in investments (continued)

2018/19	Value 31 March 2018	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Equities	175,789	107,202	(105,746)	14,028	191,273
Pooled Investment Vehicles:					
- Equities	309,464	1,522	(970)	27,535	337,551
- Fixed Income	101,542	1,917	(32,367)	108	71,200
- Property	40,497	-	(278)	809	41,027
- Multi-Asset	183,739	2,662	(2,441)	2,259	186,220
- Credit	-	32,000	(28)	154	32,126
- Other	150	-	(150)	-	-
Sub-total Investments	811,180	145,304	(141,981)	44,894	859,397
Other Investment Balances:					
Cash deposits*	6,099			107	7,723
Trade receivables / payables	(146)			19	(213)
Accrued income and recoverable taxes	976			-	988
Net Investment Assets	**818,110**			**45,020**	**867,895**

PF Note 14c - Investments analysed by fund manager

31 March 2019			31 March 2020	
Market Value	**% of total**	**Fund Manager**	**Market Value**	**% of total**
£'000	**%**		**£'000**	**%**
		Investments managed by London Collective Investment Vehicle		
80,347	9.3%	Global Total Return Fund (Pyrford International)	78,528	9.8%
35,738	4.1%	Diversified Growth Fund (Baillie Gifford)	32,585	4.1%
34,599	4.0%	Absolute Return Fund (Ruffer)	35,712	4.5%
32,126	3.7%	Multi Asset Credit Fund (CQS)	27,678	3.5%
182,810	21.1%	Sub total	174,503	21.8%
		Investments managed outside of London Collective Investment Vehicle		
45,254	5.2%	UBS Global Asset Management	41,366	5.2%
219,609	25.3%	Fidelity Pensions Management	203,778	25.5%
190,012	21.9%	Threadneedle Asset Management - Global Equity Fund	200,990	25.1%
123,475	14.2%	Schroder Investment Management - Global Active Value Fund	105,808	13.2%
37,419	4.3%	Janus Henderson Investors - Total Return Bond Fund	38,550	4.8%
35,536	4.1%	Aberdeen Standard Investments	-	0.0%
33,781	3.9%	Janus Henderson Investors - All Stocks Credit Fund	34,656	4.3%
685,085	78.9%	Sub total	625,148	78.2%
867,895	**100.0%**	**Total**	**799,651**	**100.0%**

PF Note 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). 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, as set out in the table below.

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

Level 1
Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

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

Level 3
At least one input that could have a significant effect on valuation is not based on observable market data. Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments. Assurances over the valuations are gained from the independent audit of the accounts

			31 March 2019					31 March 2020
Quoted Market Price	**Using Observable Inputs**	**With Significant Unobservable Inputs**	**Total**		**Quoted Market Price**	**Using Observable Inputs**	**With Significant Unobservable Inputs**	**Total**
Level 1	**Level 2**	**Level 3**			**Level 1**	**Level 2**	**Level 3**	
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
191,273	-	-	191,273	Equities	176,133	-	-	176,133
				Pooled Investment Vehicles:				
-	391,723	-	391,723	Equities	-	384,503	-	384,503
16,075	144,283	-	160,358	Fixed Income	-	138,840	-	138,840
-	47,335	-	47,335	Property	-	43,465	-	43,465
-	32,126	-	32,126	Credit	-	27,678	-	27,678
4,565	40,515	-	45,080	Other	6,065	22,967	-	29,032
211,913	**655,982**	**-**	**867,895**	**Financial Assets at fair value through profit and loss**	**182,198**	**617,453**	**-**	**799,651**

PF Note 16a - Classification of financial instruments

2018/19 Fair value through profit and loss	2018/19 Financial assets at amortised cost	2018/19 Financial liabilities at amortised cost		2019/20 Fair value through profit and loss	2019/20 Financial assets at amortised cost	2019/20 Financial liabilities at amortised cost
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
191,273			Equities	176,133		
			Pooled Investment Vehicles:			
391,723			Equities	384,503		
160,358			Fixed income	138,840		
47,335			Property	43,465		
32,126			Credit	27,678		
	3,724		Other*	29,032	150	
	46,675		Cash deposits		7,535	
	8,293		Sundry debtors		8,172	
822,815	**58,692**	**-**		**799,651**	**15,857**	**-**
			Financial Liabilities			
-	-	(47,046)	Creditors			(1,930)
-	**-**	**(47,046)**		**-**	**-**	**(1,930)**
822,815	**58,692**	**(47,046)**	**Total**	**799,651**	**15,857**	**(1,930)**

*Other includes absolute return, commodities, insurance linked securities and investment in the London CIV

PF Note 16b - Net gains and losses on financial instruments

2018/19		2019/20
£'000		**£'000**
	Financial Assets	
44,912	Designated at fair value through profit and loss	(25,935)
107	Financial assets at amortised cost	196
45,020		**(25,739)**

PF Note 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.

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 diversification of the portfolio in terms of asset classes, 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 last 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:

Value as at 31/03/2019	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2020	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
582,996	16.9	681,522	484,470	Equities	560,636	28.0	717,614	403,658
160,358	10.1	176,554	144,162	Fixed income	138,840	9.8	152,446	125,234
47,335	14.3	54,104	40,566	Property	43,465	14.2	49,637	37,293
32,126	0.5	32,287	31,965	Credit	27,678	9.8	30,390	24,966
40,582	0.5	40,784	40,379	Cash	5,327	0.3	5,343	5,311
4,500	9.1	4,909	4,090	Other	23,705	0.3	23,776	23,634
867,896		**990,160**	**745,632**	**Total**	**799,651**		**979,206**	**620,096**

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 (GBP). The Fund is exposed to direct currency risks on its segregated overseas equity holdings.

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 2020 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.

Value as at 31/03/2019	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2020	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
527,361	580,097	474,625	Overseas Equities	167,862	184,648	151,076
48,572	53,429	43,715	Overseas Fixed Income		-	-
4,548	5,003	4,093	Overseas Property		-	-
24,666	27,133	22,200	Overseas Credit		-	-
605,148	**665,662**	**544,633**	**Total assets available to pay benefits**	**167,862**	**184,648**	**151,076**

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2020. 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.

a) 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.

b) 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

PF Note 18 - Funding arrangements

Actuarial Position

Rates of contributions paid by the participating Employers during 2019/20 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	**31/03/2016**
	£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%	-

Contribution Rates	
Employer Future Service Rate *	20.5%
Past service adjustment (21 year spread) **	10.9%
Total Employer Contribution Rate	**31.4%**

A further actuarial valuation was carried out by the actuary as at 31sth March 2019, which will be used to set contribution rates from 2020/21 to 2022/23.

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 contribution rates have been calculated individually and certified by the Fund's actuary.

PF Note 19 - Actuarial present value of promised retirement benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2020, 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 2019		31 March 2020
£m		**£m**
(1,294)	Actuarial Fair Value of Promised retirement benefits	(1,120)
834	Net Fund Assets available to fund benefits	814
(460)	Net Liability	**(306)**

PF Note 20 - Current assets

31 March 2019		31 March 2020
£'000		**£'000**
1,247	Contributions	1,117
7,046	Other debtors	7,055
5,169	Cash at Bank	7,535
13,462	Total Current Assets	**15,707**

PF Note 21 - Current liabilities

31 March 2019		31 March 2020
£'000		**£'000**
(325)	Benefits Payable	(11)
(44,357)	Transfer Values	(9)
(2,364)	Other Creditors	(1,910)
(47,046)	Total Current Liabilities	**(1,930)**

PF Note 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 2019/20 were £89,419 (89,419 in 2018/19).

Market Value 31 March 2019		Market Value 31 March 2020
£'000		**£'000**
0.1	Equitable Life	-
-	Utmost Life and Pensions	142
89.3	Aviva	858
89.4		**1,000**

These are invested with the Council's approved AVC providers and are a money purchase arrangement. Note that Equitable Life was taken over by Utmost Life and Pensions on 1 January 2020 and its assets transferred to them.

PF Note 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 2019/20 was £605,072 (£637,685 in 2018/19)

None of the Councillors voting on the Pension Fund Panel are members of the Pension Fund.

The key management personnel for the Pension Fund are the same as for the Council as a whole.

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. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions.

The Council has a significant interest in one designated body (Achieving for Children Ltd) which is within the Fund and received £2.543m in employer contributions, deficit and early retirement costs from this body in 2019/20 (£2.446m in 2018/19).

PF Note 23a - Key Management Personnel Remuneration

The key management personnel for the Pension Fund are the Head of Investment, Risk and Commercial Finance and the Assistant Director, Resources Directorate (Shared Finance Service 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 expenses as above in Note 11. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions.

PF Note 24 - Contingent liabilities and contingent assets

The Fund has a contingent liability in respect of a guarantee provided to the City of London Pension Fund for the pension liabilities of the London CIV. There are no known material contingent assets as at 31 March 2020. There are no outstanding contractual commitments and no material items relating to non-adjusting events occurring subsequent to the period end.

PF - 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.

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.

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

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

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 Local Authority Accounting Code of Practice 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.

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.

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 but not received at the end of the financial year.

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.

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.

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.

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).

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.

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.

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.

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

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

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.

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.

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.

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.

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.

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.

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.

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.

10. Annual Governance Statement 2019/20

This provides assurances on the Council's governance framework, that comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community.

The Annual Governance Statement is published alongside but does not form part of the Accounts and so is not subject to the same inspection of accounts regime.

THE ROYAL BOROUGH OF KINGSTON UPON THAMES

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 reviewed its Local Code of Corporate Governance 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.

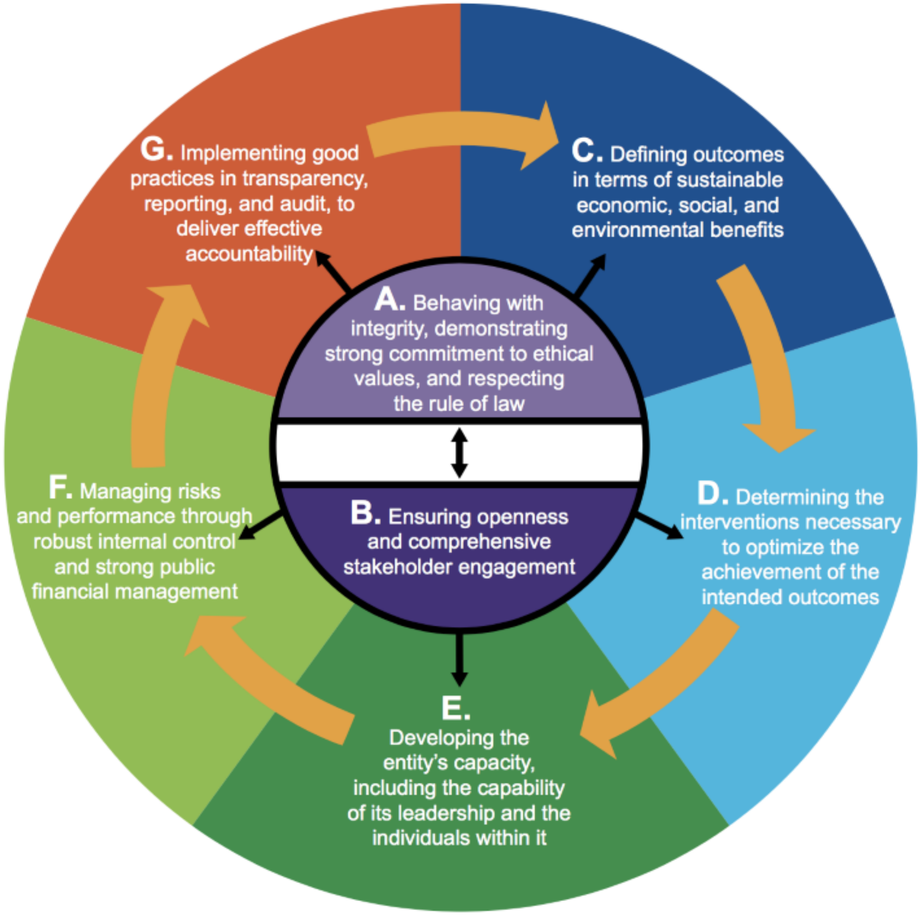
This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control. The Code of Corporate Governance was reviewed and updated in March 2019 to reflect changes in governance arrangements across the Council and the revised Code was reported to the Audit, Governance and Standards Committee in July 2019.

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 in the diagram to the right, to support good governance and the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

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

The Constitution sets out the processes by which the Council considers issues and makes decisions. Its key purpose is to enable good quality decision making. It is a living document which requires regular maintenance and development to reflect the ongoing changes in legislation and the way we organise ourselves and do things. Over time, the Constitution has been developed in an ad hoc piecemeal way and a refresh was necessary to remove ambiguity, eliminate duplications, omissions and inconsistencies and ensure that it properly supports good quality decision making. A two stage review of the Constitution commenced in Autumn 2018. Phase 1 of the refresh was completed in 2018/19 to re-balance decision-making responsibilities between Officers and Members, streamlining the Scheme of Delegation to Officers and the Council's Financial Regulations, updating the Members Code of Conduct and strengthening the role and function of the Neighbourhood Committees.

Phase 2 of the constitutional review was completed and reported to full Council in October 2019. This made changes to the following:

- The procedural arrangements of the Council and its Committees including the way we manage meetings and make decisions
- Public participation in the decision making process in formal meetings and through mechanism such as Call-in and petitions
- How we manage our decision-making processes

Going forward, there will be a rolling review of the Constitution to ensure that it is kept up to date and is fit for purpose. A rolling plan is due to be established and during 2020/21, this will include a review of the Member and Officer Codes of Conduct.

A new Commissioning framework was established during 2019/20 which included the creation of a Commissioning Governance Board in June 2019, a review of Contract Standing Orders in October 2019 and an interactive Commissioning and Contract Management Toolkit which went live in November 2019 alongside a number of briefing sessions and communications around the new processes. This was updated to include emergency contract procedures during the COVID-19 pandemic. The framework aligns to our Corporate Priorities and supports further the Council's commitment to increase transparency and member's involvement in the decision making process, streamlines our business processes, improves visibility of performance management and encourages better access to low value commissioning for local businesses. As part of enhanced commissioning arrangements, the RBK Contract Management Scorecard was rolled out to derive best practice contract management, higher level of assurance on performance and contracting standards, reduce risk and deliver commercial benefits to the organisation. The development of a Scorecard is one of the key components of the new Contract Management framework that is in the process of being developed. Currently the Council is in the early stages of embedding contract management across all services and, in some cases, does not have well established contract management routines with key contractors. A programme of training and support to officers in how to follow the new processes will be key to ensuring consistency in practice and compliance with Contract Standing Orders.

A tracker is maintained of the commissioning decisions and this enables actions and comments from the Commissioning Governance Board to be followed up. There is a central recording system of commissioning decisions that tracks activity and has links to the copies of all signed decisions. Work has also been undertaken to improve the commissioning pipeline and visibility of contracts due for renewal and extensions. The importance of directorates owning their commissioning pipeline has been raised at various forums.

The Strategic Commissioning Board (SCB) was set up in March 2020 to provide strategic oversight and scrutiny of RBK's commissioning and contract management practice. This meets quarterly and a highlight report is presented at each meeting which considers the performance and challenges across the Council's commissioning activity and practice. The Council is reviewing how commissioning governance aligns with project, transformation and other governance to streamline processes and drive efficiency.

The Corporate Property Board has been established to ensure all asset and property related matters are brought together and discussed and relevant Councillors are briefed in advance of any formal decision making process. The CPP oversees the commercial and operational assets of the Council managed by the Property team as well as providing overview of the capital programme.

The Property department is working with Contracts and Commissioning who lead on the management of the Facilities Management Contract with Engie to review the statutory compliance of the entirety of the estate following an audit report in 2019 highlighting some significant gaps. This work will be monitored through an action plan which will report to the CPP as part of the core agenda items.

The Council has also recently established a Commercial Structure which will oversee all investment and commercial activities moving forward. The structure includes a Shareholder Committee that has been constituted to ensure open and transparent accountability to the Council and is made up of Councillors and will be supported by the S151 and General Counsel.

Under this new commercial structure, the Council has established an investment company and has completed the appointment of Non Executive Directors to oversee future investment activities. No investments have been made to date and the Business Plan is currently being reviewed in the light of the economic climate.

The Council is also in the process of establishing a JV Company with Countryside Properties following a positive ballot for the regeneration of the Cambridge Road Estate which will oversee the £800m scheme over the next 10-15 years.

Both the investment company and the CRE JV Board includes Councillor Board members who have been selected following an internal recruitment process to assess suitability and skills required to undertake such commercial activities . External NED appointments have also been made to supplement these internal appointments to ensure the commercial boards have the requisite market expertise to support the Council ambition and programmes.

Achieving for Children is jointly owned by the Royal Borough of Kingston upon Thames and two other local authorities and is commissioned to deliver their children's services. Kingston has a 40% share of the guarantee of this community interest company. The Council's joint ownership functions of this community interest company are exercised through a Joint Committee of the three local authorities. The Committee is responsible for decisions on those matters that are reserved to the Council as a joint owner through a Members' Agreement. All other decisions are delegated to the Board of Directors of Achieving for Children which includes non-executive directors jointly appointed by the three local authorities. The Council has a contract with Achieving for Children for the delivery of its children's services. Formal monitoring of the contract is undertaken at an Operational Commissioning Group attended by the Council's Lead Commissioner and Director of Children's Services and by Achieving for Children's Chief Operating Officer.

The Local Government Association (LGA) Corporate Peer Review took place in January 2019. The final report was published on the council’s website on 14 March 2019 and included a number of observations and recommendations to help the council improve. An action plan was developed in response to these recommendations and was presented to the Council meeting on the 24th April 2019. The activity set out in the action plan was embedded within the Corporate Plan and directorate/team plans. Much work was undertaken to address the key areas for improvement however, some of this work has inevitably been delayed as a result of COVID-19 when resources were shifted to deal with the emergency response. An update on the key actions is as follows:

- The Corporate Plan was launched. The vision and outcomes of the Plan frame the council’s engagement and communications output and future budget decisions.
- Directorate plans were developed to include the recommendations from the Peer review and templates established for service, team and individual plans to create a clear golden thread throughout the organisation. These have not been transposed into a formal performance policy and service planning has been delayed for 20/21 as a result of COVID-19.
- The Kingston Strategic Partnership met twice at the end of 2019 to develop key priorities for the longer term vision for Kingston. This will be developed further in 2020.
- Formal consultation (Regulation 18) on Issues and Options for the Local Plan took place during May to July 2019. This will be fed into the next phase of engagement
- The Community Engagement framework was approved and launched in January 2020.
- Work has been undertaken to strengthen the local Safer Neighbourhood Board (SNB) to ensure that all ward panels and other organisations appointed to the Board are properly represented, and that all MOPAC (Mayors Officer for Policing and Crime) requirements for SNB’s are met.

- The Transformation Board was established in October 2019 and oversees the Transformation Portfolio. This programme is reporting through the monthly Transformation Board.
- A review of Learning and Development was completed in 2019 with recommendations actioned through the HR restructure and implementation of the new service model. There are however, a significant number of vacant posts within the HR structure which need to be subject to recruitment.
- A new Health and Care Plan (2019-2021) is in place, jointly developed with Kingston CCG and partners.
- The 2019 Residents Survey was undertaken and the results were published in June 2019.
- The Finance and Partnerships Committee have received quarterly reports providing forecast 19/20 outturn and savings delivery alongside detailed mitigation for adverse variances or for savings unlikely to be delivered on time. The Medium Term Financial Strategy (MTFS) 2020/21 – 2023/24 was developed and presented to the strategic committees in February 2020.
- The Council commenced a review of Voluntary Care Sector (VCS) commissioning to include not only commissioning and grants but also procurement, assets, financial assistance and sector support. This was being carried out working in partnership with the VCS to develop a mutually agreed approach that maximises investment in the sector and continues during 2020. However the impact of Covid-19 has paused the review for it to be reshaped with the learning and issues that have arisen in light of the pandemic.
- The Corporate Leadership Group meetings have been redesigned with more focused monthly sessions on key themes.
- Work has been undertaken to develop the new Project Management Office (PMO) to provide a more coordinated approach to change and improvement that will support improved collective corporate oversight and provide the opportunity to prioritise.

The LGA undertook a peer review of the Health and Wellbeing Board in February 2020. The feedback from this was in the process of being taken forward when Covid-19 hit. It is intended that the recommendations will be taken forward as soon as the emergency response to Covid-19 has stabilised and partners have some capacity to work with the Council to implement these.

As of 1st April 2020 there is now a single CCG for South West London, working as an approved Integrated Care System (ICS). This new structure, with borough level committees, will require strong partnership working to ensure public spending at borough level is used to best effect, to reduce inequalities, and to improve outcomes for local people.

A significant amount of work has been undertaken to strengthen GDPR compliance during the year with the Information Security Board meeting regularly to embed Information Governance Procedures. The Digital and IT reorganisation has created a dedicated Information Governance team to help support these activities. Subject Access Request (SAR) training has been rolled out to key staff and a new process for dealing with member SARs has been implemented. A follow up audit of GDPR was undertaken during the year however which identified a number of outstanding actions. The review identified that whilst the corporate infrastructure had been established, this had not been fully embedded at a service level. Further work will be undertaken during 2020/21 to monitor progress.

Although work has been undertaken to improve the systems and controls for dealing with SAR and FOI requests, concerns have been raised that the current process does not afford independent oversight of responses to ensure that DPA legislation and exemptions have been properly exercised. A review is currently underway to look at the triage process and recommendations will be made to strengthen scrutiny going forward.

During 2019/20, a full review of the Council's internet site was undertaken to update content. The updated site was due to be launched in April 2020 however senior management and Members agreed that this should be delayed as a result of the COVID-19 emergency . The intranet site accessible to staff and Members however, has not yet been reviewed. Some of the content is out of date and search facilities are not effective in finding key documents. As the intranet is the key source of information for staff, it is essential that this is kept up to date to ensure that staff are working to the most up to date policies, procedures and guidance.The redesign of the intranet should reflect the move to increase remote working and consider information requirements for new staff in strengthening induction processes. This should include a structure chart or information on Directorate/senior officer responsibilities which is not currently accessible.

A Risk Management framework was approved by SLT in June 2019 and a full review and refresh of the Directorate risk registers took place in 2019. Significant risks are escalated to the Corporate Risk register which is reviewed by SLT and an annual report produced for the Audit, Governance and Standards Committee.

The Corporate Performance and Risk Board (CPRB) was set up in 2019 to strengthen and manage the Council's corporate management of performance and risk . It's first meeting was held on the 1st April 2019 however December's meeting was cancelled due to changing senior management structure. Since March 2020 in light of COVID-19 the performance reporting and most risk management work has been put on hold as the Corporate Performance and Risk Manager has been redeployed to other work. The Corporate Plan tier 1 corporate KPIs are monitored by the Board and SLT. Tier 2 KPIs were finalised in 2019 and these are monitored by DMTs. Combined performance and risk reports go to SLT with 6 monthly reporting to strategic committees.

The audit review of risk management arrangements provided substantial assurance, with 3 priority 2 recommendations concerning publication of the framework on the council's intranet, directorate risk champion roles and removal of directorate issues logs in favour of one risk register per directorate.

With the COVID-19 role now reducing, work has recommenced on corporate performance and risk management. Data collection is now being undertaken that will inform a combined Quarter 4 2019/20 and Quarter 1 2020/21 'end-of-year' report that will also take into account services' activities during the COVID-19 response, its impact and implications for current and future activity. This will be important in assisting with the necessary reflection of corporate priorities in the light of the pandemic and to align with the 2021/22 budget setting process that is about to commence.

The senior leadership team has acknowledged the importance of data and insight to inform decision making and prioritisation for the administration and work of the council, rooted in knowledge about the population of Kingston. This function and capability is needed to assist in identifying where the greatest need is, where the biggest difference can be made to improve outcomes for local people, particularly for those who are most disadvantaged. These skills are also important in monitoring performance, trends and creating dashboards which assist with this, and can increase the amount of data that can be put into the public domain. An increase in capacity in this area will form part of the budget setting process for 2021/22.

Government Funding

The financial year 2019/20 was the final year of the local government four year financial funding settlement. Since 2018/19 Kingston has been self-sufficient in terms of funding reliant on Council Tax, Business Rates, other sources of income, as general government grant funding has been reduced to nil. The London Business Rates Pooling Pilot has continued for a second year however the arrangements were slightly different to year 1, with 100% retention being reduced to 75%. HM Treasury announced a one year settlement for local government for 2020/21 which means that significant uncertainty remains around any future funding for Local Government.

The Covid-19 pandemic will have a significant and lasting impact on the Council's financial position and how services are delivered. As the country moved through the first wave of the pandemic and the easing of the lockdown there remains a high level of uncertainty on how and at what rate the economy and society can return to a "new normal" and the extent of the adverse impact on the economy and the knock on impact on the Council. Therefore it is difficult to forecast the impact on the Council's in-year finances or medium term strategy. Any local regional or national lockdown measures will increase the financial pressures. This period of economic instability follows a decade of austerity and sustained budget reductions in local government leaving many local authorities with a challenging set of financial circumstances. There remains significant uncertainty over local government funding going forward and how councils including Kingston will manage the Covid 19 financial impacts.

Service Demand

Within the Council, consistent with the national picture, there has continued to be a high level of demand for Adult Social Care and Children's Services. However, the most significant financial pressure continues to be the structural overspend in the activities covered by the High Needs Block - Dedicated Schools Grant (DSG).

Looking forward the Covid-19 pandemic will have a significant and lasting impact on the residents and communities of Kingston, the Council's financial position and how services are delivered. As the country moves through the first wave of the pandemic and the easing of the lockdown there remains a high level of uncertainty on how and at what rate the economy and society can return to a "new normal" and the extent of the adverse impact on the economy and the knock on impact on the Council. This in addition the structural DSG overspend places a significant challenge on the Council's financial sustainability.

Covid-19 response

As part of the Covid-19 response, Borough Emergency Command Control (BECC) arrangements were put in place, with governance arrangements to reflect this:

- The Council brought the voluntary and community sector together holding a workshop on the 18th March 2020 and established the Kingston Stronger Together Hub, comprising a central point where people could volunteer to support the COVID-19 response
- Formal committee meetings were cancelled in the interests of public safety. Changes in legislation now allow Committee meetings to be held virtually.
- Following Council approval on 19th May 2020 the Council's five Strategic Committees responsible for major policy and service decisions were temporarily streamlined into one Response and Recovery Committee which meets on a monthly basis.
- The transaction of all non urgent business was postponed and urgency mechanisms contained within the Constitution were utilised to enable the Chief Executive and Executive Directors to take urgent decisions which would otherwise have required Member approval at Committee, and as part of Council Gold arrangements.
- In order to retain democratic oversight, measures were put in place to broaden consultation with Members prior to decisions being taken and to ensure public notice of all decisions taken.
- In addition to Gold, Council Silver arrangements were also put in place (internal strategic coordination), which included a number of key workstreams.
- A Covid 19 risk register was established, managed by Gold, with regular input by Silver workstream leads
- Redeployment of council employees to key areas.
- Additional funding has been provided by central government to local authorities to cover additional costs. Funding has also been provided for businesses and the voluntary sector.
- Partnership arrangements were also in place as part of the Covid-19 response, with the Borough Resilience Forum becoming the Tactical Coordinating Group (partnership Silver).

During 2020/21, the council will need to consider preparations to return to a new 'normal', building on lessons learnt and assessing the long term impact and consequences of the pandemic. A number of evaluation programmes are underway to utilise the learning to date from the Covid-19 response.

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 General Counsel 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 (2019/20) include the following bodies:

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	**Responsible for making decisions on those powers, duties and functions of the Council that fall within their remit, within overall Council policy.**
Scrutiny Panel	**Established to consider Member and Community call-ins.**
Health and Wellbeing Board	**The Health and Wellbeing Board brings together the Council, NHS partners, including the Kingston Clinical Commissioning Group, and patient representatives to have oversight of the Council's public health functions and ensure that health services within the borough are properly integrated between providers.**
Neighbourhood Committees	**There are four neighbourhood committees made up of the councillors representing the electoral wards in each neighbourhood, responsible for providing many of the services in their area. Each neighbourhood has access to grant funding and can make decisions on a range of services, including traffic management, planning applications, parks, libraries, housing management, youth service and any matters which fall solely within a single Neighbourhood area.**
Regulatory Committees	**The Development Control Committee is responsible for decisions on large planning applications and those which neighbourhood committees are unable to deal with. The Licensing Committee reviews policy on licensing matters and appoints sub-committees which consider individual applications for activities which require licences, such as the sale of alcohol.**

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. 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.**
Kingston Strategic Partnership	**Consists of partners from Statutory, Voluntary and Business sectors. Purpose is to set the overall vision and direction for partnerships working in Kingston**
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**
Kingston and Richmond Strategic Children's Partnership	**Responsible for the safeguarding arrangements of children and families in Kingston and Richmond. Replaces the Local Safeguarding Children's Board**
Kingston Safeguarding Adults Board	**The role of the KSAB is governed by the Care Act 2014. The Board's role is to seek assurance that agencies are working together effectively to keep adults safe from abuse and neglect.**
Strategic Leadership Team (SLT)	**Led by the Chief Executive working alongside the 5 Directors (Adult Services & Public Health, Children's Services (AfC), Place, Corporate & Communities), and General Counsel . 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 comprises senior managers (Assistant Directors and Heads of Service) 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.**
Directorate Management Teams (DMT's)	**The structure consists of four directorates: Adult Services & Health, Children's Services (AfC), Place, and the Corporate & Communities. DMT's are established for each Directorate consisting of Directors, Assistant Directors, and can also include Corporate Heads of Service, who are collectively responsible for delivering strategies and outcomes.**
Internal Audit	**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.**
External Audit	**Audit/Review and report on the Council's financial statements, providing an opinion on the accounts and use of resources, concluding on the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money opinion).**
Statutory Officers	**The statutory roles of the Head of Paid Service, Monitoring Officer, Chief Financial Officer, Director of Children's Services, Director of Adult Social Services, Director of Public Health, Scrutiny Officer and Data Protection Officer are set out within the Articles of the Council's Constitution**
Managers	**Responsible for developing, maintaining and implementing the Council's governance, risk and control framework, contributing to the effective corporate management and governance of the Council**

The process for maintaining and reviewing the effectiveness of the governance framework in place in 2019/20 was led by the Head of Internal Audit and General Counsel 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 including undertaking a high level review of Corporate Governance against the CIPFA/Solace guidance.
- holding discussions with key senior officers to assess the Council's corporate governance framework.
- Attending Departmental Management Team meetings to discuss governance issues.
- 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 2019/20 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 assurance reports issued during the year where Priority 1 recommendations were raised. As with last year's opinion, one of the key themes identified from the audit work completed in 2019/20 was that whilst a significant amount of work has been undertaken to improve systems and processes across the Council, these are not yet fully embedded or procedures consistently applied. Ensuring that officers are clear in their responsibilities, have sufficient capacity and have been given appropriate training and support is essential. Currently, some of the content on the Council's intranet site is out of date. As this is the key repository for corporate guidance and policies, it is essential that this is kept up to date on an ongoing basis as this should help to ensure staff are working in a consistent way, particularly in light of increased remote working. There also remain some concerns around corporate property and in particular, the health and safety risk management arrangements for the corporate estate where previous audit recommendations have not been fully implemented.

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. Following the peer review in June 2018, a self-assessment has been carried out against these standards which has demonstrated substantial compliance.

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 is an ongoing process and therefore where issues were identified action plans were agreed with the relevant Director with a view to progress being reviewed within 6 months of the report. The Council's review mechanisms are an effective framework for maintaining satisfactory governance arrangements including identifying any issues and for monitoring and securing their implementation.

There are some common control themes for improvement plus a diverse range of service issues to be addressed and the Annual Governance Statement identifies continuing actions on the significant governance issues.

Certificate

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit, 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 2018/19 AGS at its meeting on the 24th July 2019. 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 (2019/20). Progress against this plan has been monitored regularly by SLT and reported to the Audit, Governance and Standards Committee. The areas which have not been fully completed are outlined below.

2018/19 Annual Governance Statement Action Plan – Follow Up

Issue/Risk	Action Taken
Internal Audit Recommendations – to ensure that all Priority 1 recommendations are dealt with expeditiously.	**Ongoing** There were Priority 1 recommendations outstanding in respect of 5 audit areas as at the end of March 2020. Priority 1 recommendations will continue to be subject to robust follow up and monitoring arrangements
Dedicated Schools Grant (DSG) - 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 unlikely that this will be in the near future. 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%	**Ongoing** The Transformation Plan is monitored internally by AFC and by the Council through a Delivery Group chaired by the Executive Director of Corporate and Communities on a monthly basis, and by a bi-monthly multi-agency SEND Partnership Board. The Health and Wellbeing Board has strategic oversight of the delivery of the plan. The workstreams are on track to deliver transformation; however, the plan is not on track to make the savings required. Education, Health and Care Plans rose by 11.3% in 2019/20 and the rate of increase has continued into 2020/21. Whilst the average cost of an EHCP has reduced by 4% in 2019/20, it is still above the target set in the transformation plan. The processes of assessment and review remain strong with 97% of assessments completed on time during the financial year, which is significantly better than the national average (60%) and that of our neighbours. The forecast funding gap in the DSG for 2020/21 is £4.677m.

<table>
<tr><th>Issue/Risk</th><th>Action Taken</th></tr>
<tr><td> 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 undertook a major review of information governance, data protection and records management over the 12 months in advance of GDPR requirements, further work is required to ensure full compliance.
The 19/20 follow up audit for GDPR identified that whilst the corporate infrastructure was in place, this was not embedded at a service level. A number of recommendations were outstanding:

A data flow mapping exercise had not been completed.
Issuing of quarterly email reminders on a timely basis to IAO's reminding them of their responsibility to ensure the Information Asset Register (IAR) and the Retention Schedule are reviewed and updated on an ongoing and timely basis. (The Retention schedule is combined into the IAR to make one record of processing activities.)
RBK to complete exercise of working through the schedule of live contracts to ensure compliance with GDPR.
Finalisation of the Deed of Variation with LBR that will offer formal assurance of AfC's compliance with GDPR.

It was recommended that a further GDPR should be performed in 2020/21 to monitor progress. </td>
<td> Majority completed but Ongoing
GDPR has now been enacted in the Data Protection Act (2018) and the Council is working to its regulations. Work is continuing as part of our Information Governance improvement stream, e.g:
A second audit was requested on compliance and took place in September 2019. The Follow up audit identified that whilst the corporate infrastructure is largely in place, this needs to be embedded at a service level.
The Information Security Board has been meeting regularly to embed Information Governance Procedures.
The Digital & IT reorganisation has created a dedicated Information Governance team of three to help support these activities.
Subject Access Request face-to-face training has been rolled out to 45 members of staff and a new process for dealing with member SARs implemented.
The new customer platform FOI management module has been implemented and the SAR one is due to be implemented in October.
A review of the triage process is currently being undertaken to ensure that there is robust independent oversight of responses to ensure that DPA legislation and exemptions have been properly exercised.
Follow up work will be also undertaken on FOI and SARs in 2020/21 to test the new processes once they are properly embedded. </td></tr>
</table>

Issue/Risk	Action Taken
Workforce planning There are gaps on organisational development including how we attract and retain staff. A competency framework needs to be developed and consideration given as to how HR policy supports and enables staff to do their jobs. It is acknowledged that work is already underway to develop an Organisational Development Strategy. Learning and development is being independently reviewed as part of the wider HR model. This will include how learning needs are identified. Performance management, including the appraisal project will be a priority project in 2019/20	**Ongoing** An initial workforce planning approach has been developed and implemented by an HR interim. This has been rolled out across for RBK ASC, RBK COVID-19 hub and RBK housing. This will give the HR shared service a model to work with and ensure that other services are able to be modelled in the future once the new ways of working are established after COVID-19.
Project and Programme Management The Council needs to establish a more corporate approach to project and programme management. The lack of PMO resource and expertise has been a significant gap in the organisation. This requires improvement with more corporate rigor and infrastructure on project management for major site development projects.	**Ongoing** PPM framework was developed and programme artefacts were rolled-out to major programmes. A programme assurance framework was developed to include a series of health checks to ensure all programmes have the requisite tools, governance and processes in place. The results of the health checks are reported to SLT (in their capacity as the Transformation board on a monthly basis). Progress on programme delivery is also now being delivered as part of the monthly Transformation board report. A programme management community of practice is being set up to further support the development of organisational capability and capacity. Recruitment of the permanent team is largely complete. The initial phase has been completed with ongoing monitoring and reporting to SLT. There will be a wider corporate launch of the transformation approach and PPM framework by September 2020

Improvement Plan 2020/21

The improvement actions below have been identified as a result of the review carried out. Progress will be followed up during 2020/21 and reported to the Audit, Governance and Standards Committee.

<table>
<tr><th>Issue/Risk</th><th>Action Taken</th></tr>
<tr><td>

Compliance with Corporate Policies and Procedures - ensuring policies and procedures are up to date, accessible and fit for purpose

Work undertaken by internal audit during the year and discussions with senior officers as part of the AGS process has identified some concerns around a lack of clarity in how roles and responsibilities are defined and non compliance with policies and procedures in a number of areas.

Whilst some policies and procedures sit on the intranet, some of the content is out of date and procedures generally need to be better communicated to staff to make sure they are properly engaged and are clear on their responsibilities. With new staff and changes to culture and operational procedures, there are risks of inconsistencies in practice and key tasks may fall between the gaps until the changes are properly embedded and understood.

Levels of non compliance in areas such as declarations of interest and in the completion of mandatory training are still unacceptable despite improvements to systems and processes. The review of website content and structure must facilitate greater accessibility and effective communication which embodies an organisational culture of compliance. This ties in closely with the need to ensure that new staff are properly inducted and have access to key information about the business. This is particularly important in light of increased remote working. The absence of a structure chart or information on Directorate/senior officer responsibilities for example, makes it difficult for new staff to understand the organisational structure or current staff to keep up to date with changes.

The Annual Governance review also identified a number of policies and procedures which are out of date. This includes the Whistleblowing Policy which is in the process of being updated.

</td><td>

A detailed review of the Council's intranet site should be undertaken. Although not currently clear where responsibility for website content sits, this should involve officers from HR, IT and Comms with oversight from General Counsel. The review should ensure that:

- the intranet is arranged to provide a repository of information covering key areas such as employment, IT, the workplace, news
- search facilities are effective
- all links to documents work
- it reflects the most up to date policies and procedures with a clear programme for ongoing review;
- any gaps are identified;
- there is a clear link to corporate induction requirements so that new staff can easily access key documents and important information about the Council and it's governance structures;
- there are clear links to on-line training including regular comms with respect to the completion of mandatory training

A process for managing website content on an ongoing basis must also be established so that the site is properly maintained.

Key Performance Indicators around compliance should be established, reported to and monitored by the Corporate Performance and Risk Board. This should be linked to a Communications Plan which clearly sets out the requirement to comply with Council policies and procedures and the consequences of failing to do so.

Mandatory training should be reflected within individual appraisal objectives.

</td></tr>
</table>

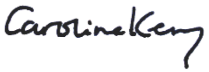
Issue/Risk	Action Taken
Records Management The emergency response to COVID-19 identified some information governance issues where information was held in paper form and not accessible remotely or staff absences meant that key documents couldn't be located. There is no clear records management policy or corporate approach to storing documents with documents held on a mix of personal drives, the Council's network and on the google cloud. Officers share documents on Google however it is not clear whether shared folders can be established as an alternative to sharing individual documents. The information asset register is not kept up to date and it is difficult to get information asset owners to engage and recognise their responsibilities. Currently responsibility sits at AD level and capacity and operational knowledge of information assets at this level is an issue.	A corporate approach should be developed on how information is stored and managed. This should be encompassed within a corporate Records Management policy which includes guidance on digitising data and the establishment of an organisational filing structure to ensure that documents are stored securely. Documents should be accessible but controls need to ensure that access is restricted to relevant officers. The ability to share folders on Google should be investigated. The review should consider the appropriateness of the current level at which responsibilities sit. Whilst ADs should remain accountable for their information asset registers, responsibility for maintaining these registers should sit at an operational level where the capacity and knowledge resides. To ensure that Information Asset Registers are maintained as living documents, these should be updated on a quarterly basis to ensure that information is held in accordance with an agreed Records Management policy. Information Asset Owners should be required to sign these registers off to ensure accountability.
Management and control of IT assets There is no central inventory of IT assets. Responsibility for recording IT assets currently sits with Heads of Service who are responsible for maintaining their own inventories. The audit of Starters and Leavers identified that this system is not working with many officers assuming that the responsibility sits with IT. As such, the audit identified that records did not always exist, a number of leavers had not been asked to return their IT equipment or it was not clear what equipment had been issued to them. Without central oversight, there is a risk that IT equipment is not properly controlled and equipment is not returned when staff leave.	A central inventory of IT equipment should be established and a process put in place for allocating equipment to staff. As part of the leaver's process, checks must be undertaken to ensure that all IT equipment issued is returned.
COVID-19 Recovery plan During 2020/21, as lockdown eases, the Council will need to start planning for recovery. This will need to consider short, medium and long term effects as an assessment is undertaken on services to restart, stop, retain or change.	A recovery plan should be established for the easing of lockdown and an assessment of the long term disruption and consequences arising from the coronavirus pandemic. This must include a detailed analysis of the financial impacts and how these will be managed in the medium and longer term. The Corporate Plan should also be updated to reflect any changing priorities. The recovery plan should be monitored by SLT on a regular basis and formally reported to Members.

Annual Governance Statement (continued)

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 2019/20 Annual Governance Statement was approved by the Audit, Governance and Standards Committee on the 19 November 2020.

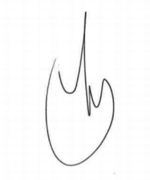
Signed:



Councillor Caroline Kerr

Leader of the Royal Borough of Kingston upon Thames

Signed:



Ian Thomas, CBE

Chief Executive of the Royal Borough of Kingston upon Thames

11. Glossary of Terms

An explanation of financial terms and abbreviations used in the Statement of Accounts

THE ROYAL BOROUGH OF
KINGSTON
UPON THAMES

Glossary of Terms

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

Amounts that are charged to the accounts for goods and services rendered/received during the year for which payments have not been received/made.

Actuary

An independent consultant who advises on the financial position of the pension fund.

Amortisation

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

Appropriations

The transfer of resources to and from various revenue reserves.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure that adds value to an existing non-current asset. Expenditure can only be treated as ‘capital’ if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Receipts

Income from the sale of capital assets such as council dwellings, land and buildings.

Carrying Amount

This is the nominal value of the loan / investment plus accrued interest due to the end of the financial year.

Council Tax

A tax on domestic properties, introduced 1 April 1993 as a replacement for the Community Charge (Poll Tax), based on their value.

Creditors

Amount of money owed by the Council for goods or services received.

Debtors

Amount of money owed to the Council for goods or services received.

Depreciation

A measure of the cost of the economic benefits of a non-current asset consumed during the period.

Earmarked Reserves

Amount set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Effective Interest Rate

This method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at initial recognition.

General Fund

The fund within which most transactions of a local authority take place. It includes the cost of all services provided (excluding the Housing Revenue Account) which are paid from government grants, generated income and the borough’s share of Council Tax and business rate income.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)

A local authority statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment

A reduction in the value of a non-current asset below its carrying value (but not through economic consumption).

Intangible Assets

Assets that do not have physical substance, e.g. computer software licences.

Glossary of Terms (continued)

Levies

Payments to London wide bodies such as the Lee Valley Regional Park Authority. 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.

Minimum Revenue Provision

The minimum amount that the Council must charge to the revenue account to provide for the repayment of debt.

Non-Domestic Rates (NDR)

Business rates, or non-domestic rates, collected by councils are the way that those who are responsible for non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally.

Precept

The charge made by one authority (e.g. The Greater London Authority) on another authority to finance its net expenditure

Property, plant and equipment

Tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

Amounts set aside for liabilities or losses which are certain or very likely to be incurred but where exact amounts and dates on which these will arise are uncertain.

Reserves

Amounts set aside in one financial year which can be carried forward to meet expenditure in future years. Earmarked reserves are allocated for specific purposes. Unallocated reserves are often described as balances.

Revenue Expenditure

The regular day-to-day running costs an authority incurs in providing services e.g. salaries and wages, premises costs and supplies and services.

Support Services

Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, information technology, property and general administrative support.

Glossary of Terms (continued)

Abbreviations used in the accounts

AFC - Achieving for Children

AVC - Additional Voluntary Contribution

CCG - Clinical Commissioning Group

CF - Collection Fund

CIES - Consolidated Income and Expenditure Statement

CIPFA - Chartered Institute of Public Finance and Accountancy

CT - Council Tax

DfE - Department for Education

DSG - Dedicated Schools Grant

HRA - Housing Revenue Account

IAS - International Accounting Standard

I&E - Income and Expenditure

IFRS - International Financial Reporting Standard

IT - Information Technology

LASAAC - Local Authority (Scotland) Accounts Advisory Committee

LATC - Local Authority Trading Company

LOBO - "Lenders Option Borrowers Option" Loan

MHCLG - Ministry of Housing, Communities and Local Government

MIRS - Movement in Reserves statement

MRA - Major Repairs Allowance

MRP - Minimum Revenue Provision

NDR - Non Domestic Rates

PWLB - Public Works Loan Board

REFCUS - Revenue Expenditure Funded From Capital Under Statute

RICS - Royal Institution of Chartered Surveyors

RCCO - Revenue Contribution to Capital Outlay

TFL - Transport for London

TPA - Teachers' Pension Agency

UCR - Usable Capital Receipts