The Royal Borough of Kingston upon Thames

Statement of Accounts

2020/21

Contents

1. Narrative Report **6**

2. Statement of Responsibilities **16**

3. Auditor's Reports **18**
Auditor's Report on the Financial Statements 19
Auditor's Report on the Pension Fund Financial Statements 25

4. Core Financial Statements **30**
Comprehensive Income and Expenditure Statement 31
Movement in Reserves Statement 33
Balance Sheet 35
Cash Flow Statement 37

5. Notes to the Core Financial Statements **38**
Note 1 Accounting Policies 39
Note 2 Accounting Standards issued but not yet adopted 51
Note 3 Critical Judgements in Applying Accounting Policies 52
Note 4 Assumptions made about the future and other major sources of estimation uncertainty 53
Note 5 Expenditure and Funding Analysis 55
Note 5a Note to the Expenditure and Funding Analysis 57
Note 5b Expenditure and Income Analysed by Nature 59
Note 6 Other Operating Expenditure 60
Note 7 Financing and Investment Income and Expenditure 60
Note 8 Taxation and non-specific grant income 61
Note 9 Grant Income 62
Note 10 Adjustments between accounting basis and funding basis under regulations 65
Note 11 Transfers to/from earmarked and usable reserves 72

Note 12 Unusable Reserves 75
Note 13a Property Plant & Equipment 86
Note 13b Heritage Assets 93
Note 13c Intangible Assets 94
Note 14 Investment Properties 95
Note 15 Assets Held for Sale 96
Note 16 Capital Expenditure and Capital Financing 97
Note 17 Financial Instruments 98
Note 18 Short term Debtors 112
Note 19 Short term Creditors 113
Note 20 Cash and cash equivalents 114
Note 21 Provisions 115
Note 22 Cash Flows from Operating Activities 116
Note 23 Cash Flows from Investing Activities 117
Note 24 Cash Flows from Financing Activities 117
Note 25 Officers Remuneration & Exit Packages 118
Note 26 Members Allowances 123
Note 27 Dedicated Schools Grant 124
Note 28 Better Care Fund (Pooled Budgets with Kingston Clinical Commissioning Group) 125
Note 29 Related Parties 126
Note 30 External Audit Costs 129
Note 31 Defined Benefit Pension Schemes 130
Note 32 Contingent Liabilities 138
Note 33 Events after the Balance Sheet date 138
Note 34 Leases 139

6. Housing Revenue Account 141
Housing Revenue Account (HRA) Income and Expenditure Statement 142

Statement of Movement on the Housing Revenue Account Balance 144
Notes to the Housing Revenue Account 145
HRA 1. Housing Stock 145
HRA 2. Stock Valuation 146
HRA 3. Major Repairs Reserve 147
HRA 4. Capital Expenditure Financing 147
HRA 5. Capital Receipts 148
HRA 6. Depreciation 149
HRA 7. Rent Arrears and Bad Debt Provisions 149
HRA 8. IAS 19 Retirement Benefits 150
HRA 9. Provisions 150

7. Collection Fund 151
Collection Fund Income and Expenditure Account 2020/21 152
Notes to the Collection Fund 154
CF 1. General 154
CF 2. Council Tax 154
CF 3. Council Tax Income 155
CF 4. Non-Domestic Rates 155
CF 5. Collection Fund Balance 156

8. Group Accounts 157
Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021 158
Group Movement in Reserves Statement 160
Group Balance Sheet 162
Group Cash Flow Statement 164
Notes to the Group Accounts 165
G1. Introduction 165
G2. Group external audit costs 165

G3. Major sources of estimation uncertainty 165
G4. Group cash flows from operating activities 167

9. Pension Fund Accounts 171
Fund Account for the year ended 31 March 2021 172
Net Assets Statement for the year as at 31 March 2021 173
Notes to the Pension Fund Accounts 174
PF Note 1 - Description of the Fund 174
PF Note 2 - Basis of preparation 178
PF Note 3 - Summary of significant accounting policies 179
PF Note 4 - Critical judgements in applying accounting policies 181
PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty 182
PF Note 7 - Contributions receivable 183
PF Note 8 - Transfers in from other pension funds 184
PF Note 9 - Benefits payable 185
PF Note 10 - Payments to and on account of leavers 186
PF Note 11 - Management expenses 187
PF Note 11a - Investment management expenses 187
PF Note 11b - External audit costs 188
PF Note 12 - Investment income 188
PF Note 13 - Taxes on income 189
PF Note 14 - Investments 189
PF Note 14a - Analysis of Pooled Investment Vehicles 190
PF Note 14b - Reconciliation of movements in investments 191
PF Note 14c - Investments analysed by fund manager 193
PF Note 15 - Fair value – basis of valuation 194
PF Note 15a - Fair value hierarchy 196
PF Note 15b: Reconciliation of fair value measurements within Level 3 197

PF Note 16a - Classification of financial instruments 198
PF Note 16b - Net gains and losses on financial instruments 199
PF Note 17 - Nature and extent of risks arising from financial instruments 199
PF Note 18 - Funding arrangements 203
PF Note 19 - Actuarial present value of promised retirement benefits 206
PF Note 20 - Current assets 206
PF Note 21 - Current liabilities 207
PF Note 22 - Additional voluntary contributions 207
PF Note 23 - Related party transactions 208
PF Note 23a - Key Management Personnel Remuneration 208
PF Note 24 - Contingent liabilities and contingent assets 208
PF - Glossary of terms 209

10. Annual Governance Statement 2020/21 212

11. Glossary of Terms 225

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 had 176,300 residents[1] 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[2]. Like much of the country, obesity levels are a concern - 57.4% of the borough's adults are classed as overweight or obese[3]. 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[4]).

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[5] 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.

[1] GLA 2018-based housing led population projections, 2020 (note projections have been rounded to the nearest 100 for publication)

[2] General health, Census (2011)

[3] Percentage of adults (18+ classed as overweight or obese, Public Health Fingertips (2018/19)

[4] Life expectancy at birth (male) (female) A01b, Public Health Fingertips (2016-18)

[5] Index of multiple deprivation (2019)

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 whole Borough 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 allowed Committees to meet in virtual form online for a temporary period. 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 met monthly covering the remit of all strategic committees. During the course of the year, the Children's and Adults Care and Education Committee was reinstated and a second temporary committee, Culture, Housing, Environment and Planning, was established. Now that the temporary regulations have expired committee meetings have returned to physical meetings and a new committee structure has been agreed comprising 3 strategic committees - Corporate & Resources, People and Place.

Organisational overview and operational model

Supporting the work of the elected members is the Council's Strategic Leadership Team (SLT). SLT comprises 4 Executive Directors (Children's Services, Adult Social Care & Health, Place and Corporate and Communities), the Director of Public Health and the Monitoring Officer, and is led by 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.

A review of the senior management team was implemented at the start of 2020/21, and the accounts have been prepared on this basis, with 2019/20 comparatives being restated to reflect the new organisational 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.

Covid-19 Pandemic

The 2020/21 financial year has been dominated by Covid-19. The Council acted quickly in March Whilst providing support to businesses and individuals in the Borough that have been affected personally by Covid-19, there has also been a significant impact on the Council's own services and financial position. Some services, such as leisure centres and libraries, were forced to close during the periods of lockdown, whilst demand for services has also been affected. As people followed the stay at home order, demand for parking fell and therefore there was a significant loss of income. Other services, such as social care and housing saw increases in demand as additional people sought our help and additional costs were incurred in providing this. The wider economic impacts of Covid on people's personal finances have also impacted on our major income streams, with Council Tax and Business Rates collection falling, compounded by recovery action being limited.

2020 to set up the Kingston Stronger Together hub, working with the voluntary sector to support individuals needing help during the pandemic. The hub has supported 3,100 households with food packages and prescriptions. 166 vulnerable residents were paired with a buddy and there were around 8,200 calls, letters and texts sent offering support to tenants in need. Council staff largely moved to working remotely during the pandemic, other than where service or individual wellbeing needs required them to be on site or working in the community. This transition worked well, supported effectively by the use of Google collaboration tools.

The overall financial impact of the pandemic in 2020/21 has been managed through both the delivery of management actions to bring forward in year savings proposals and the provision of additional grant funding from government. The longer term impact of the pandemic on the Council's financial position remains uncertain and will need to be closely monitored as restrictions ease and a new normal is established.

The Council distributed over £83m of grant funding during 2020/21 to mitigate the impacts of the pandemic on individuals and businesses.

Financial Outlook

Alongside the ongoing financial pressures from Covid-19, there are a number of significant financial risks that the Council needs to continue to manage over the medium term:

As part of the pandemic response, the Council has administered a range of business grants and by the end of March 2021, had paid out £45.4m in 8,522 grants to businesses in the Borough and put in effective arrangements to mitigate against potential fraud and ensure funds are received by eligible businesses. Alongside this, the Council has also been administering the £500 self isolation support payments for those on low incomes required to self isolate due to Covid-19. A total of £0.152m has been paid out to over 300 individuals by 31 March 2021.

- There continues to be pressure on the Dedicated Schools Grant arising from funding for pupils with Special Educational Needs and Disabilities. A safety valve agreement was reached with the Department for Education (DfE) during 2020/21, under which an additional £30m of grant funding will be provided over 5 years, subject to the delivery of the SEND transformation plan. £12m of this was received in 2020/21, reducing the existing deficit balance.
- The Council is reliant on Council Tax and Business Rates to fund most of its services as it no longer receives revenue support grant. This means that the proportion of the Council's budget funded from Council Tax is much higher than the London average.
- Potential volatility of income streams under the business rates retention finance system due to

linkages with local economic performance. This has been particularly highlighted by the impact of the pandemic.

- Kingston's historically low level of reserves has improved to a more appropriate level but this will need to be closely monitored to prevent these levels deteriorating again. The 31 March 2021 level of reserves is distorted by the timing of the receipt of some Covid grant funding in advance.
- Demographic growth and an increasingly ageing population will continue to put pressure on the Council's budget
- The current medium term financial strategy reveals a budget gap of £17m to 2024/25 which will need to be closed by budget reductions and/or increases in resources through local taxation. The ongoing impact of the Covid-19 pandemic may increase pressure on this budget gap.

Risk

Councillors considered a financial risk analysis of the Council's proposed budget for 2021/22 when setting the Budget at Full Council in February 2021.

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.

The budget for 2021/22 does not depend upon the drawdown of reserves, other than those related to Covid-19 grant funding, and has provided for growth and pressures arising.

Financial performance 2020/21

Kingston is self-sufficient in terms of general funding, as the government's revenue support grant has disappeared and has been since 2018. Whilst some specific grants are still received, a series of one year funding settlements has made planning for these challenging. Grant funding relating to the pandemic has also been hard to predict with early government statements indicating all local government costs would be met having been followed by a series of general grants and more lately a number of specific targeted funds which do not cover all costs or income losses incurred.

The Council set a balanced budget to deliver savings of £7.185m in 2020/21. 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 position for 2020/21 after transferring £4.771m to a Collection Fund Risk mitigation reserve, is a balanced outturn against a budget of £140.421m. During 2020/21 amounts of £2.563m and £1.809m have been drawn down from reserves to support the Covid-19 response. The former being the remainder of the first tranche of non ring-fenced Covid grant that was received at the end of 2019/20 and the latter being a General Fund Covid Risk Mitigation Reserve that was set up in 2019/20. This left a net nil variance overall on the general fund. The main contributors to the outturn position are:

- Additional Government funding included £7.834m in non ring-fenced Covid grants and £7.621m received in relation to lost Sales, Fees and charges income received from MHCLG.
- An overspend of £0.513m in The Adults and Health Directorate, of which £2.661m is due to Covid related cost pressures offset by underspends of £1.131m in People with Learning Difficulties due to greater success in getting approvals from Continuing Health Care

for eligible service users, underspends on concessionary fares of £0.405m and underspends in mental health support of £0.385m due to increased contributions from health partners and lower substance misuse residential costs.

- Corporate and Communities reported a £6.613m overspend, of which the overall cost pressures due to Covid are £9.184m, offset in part by Other Corporate Services reporting an underspend on interest payments (£2.073m) as borrowing was lower than budgeted mainly in light of Covid related delays to the capital programme.
- The major Covid impacts were in lost income from car parking and the leisure centres during lockdowns.
- An overspend of £2.291m in Place, including £1.853m in Property services due largely to Covid related loss of income through rent-free periods, vacant units, deferred income and loss of rental income where income is linked to turnover.

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

General Fund Revenue Outturn	Latest Budget 2020/21	Outturn 2020/21	Outturn Variance 2020/21
	£'000	£'000	£'000
Adults	50,447	50,960	513
Children's Services	29,946	31,659	1,713
Place	(5,972)	(3,681)	2,291
Corporate & Communities	64,607	71,220	6,613
Chief Executives	1,393	1,119	(274)
Total Expenditure	**140,421**	**151,277**	**10,856**
Resources	**(140,421)**	**(151,676)**	**(11,255)**
Transfer from Reserves	**-**	**(4,372)**	**(4,372)**
Transfer to Reserves	**-**	**4,771**	**4,771**
Total Net Revenue	**-**	**-**	**-**

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) outturn position is a £1.087m overspend which will be met by a transfer from the HRA balance. The outturn position mainly arises from the following areas:

- Enhanced cleaning costs due to COVID-19 for Sheltered Housing, offices and halls of £1.23m for the year.

- Offsetting the costs of COVID cleaning are £1.246m of RBK costs reimbursed from the Cambridge Road Estate joint venture to the HRA. While these costs were always planned to be returned to RBK, Countryside and RBK agreed the mechanism for the costs to be delivered in the 2020/21 financial year.
- An additional provision for the Thames Water commission case of £1.022m was included in 2020/21, mainly for the tenants, provision of liabilities to former tenants.

While claims have been slow for former the additional £1.022m set aside covers all of our known liabilities. Any excess will be written back to revenue once the extent of former tenants claims becomes clearer

Schools Budget

The final outturn position on the Dedicated Schools Grant (DSG) was an overspend of £5.150m.

The main pressure continues to be the increased demand in the high needs block where high numbers of Education, Health and Care Plans (EHCP) continues to put pressure on spend levels and delivery of the High Needs strategy.

The total cumulative deficit on the Dedicated Schools Grant (DSG) amounts to £12.401m following additional funding of £12m received in 2020/21 as part of the agreed DSG Deficit Management Plan with the DfE

Capital Programme

The total adjusted capital budget for 2020/21 was £135.4m. This was made up of £25.2m (18.6%) in the Housing Revenue Account (HRA) and £110.2m (81.4%) in the General Fund (GF).

The outturn position revealed total capital spend of £39.3m made up of spend in the HRA of £8.7m and GF of £30.6m. This resulted in a total underspend of £96.0m (71% of the adjusted capital budget) which can be broken down into HRA underspend of £16.5m and GF underspend of £79.6m.

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

Programme	Budget 2020-21	Outturn 2020-21	Variance 2020-21	Percentage Spent	Slippage
	£'000	£'000	£'000	%	£'000
Schools Building Programme	4,300	953	(3,347)	22.16%	4,271
General Fund Property Programme	63,047	11,285	(51,762)	17.90%	4,350
Regeneration Programme	3,544	3,437	(107)	96.99%	363
Environment Programme	1,761	1,339	(422)	76.06%	833
Highways Programme	6,349	4,258	(2,091)	67.07%	357
Housing General Fund Programme	27,323	7,623	(19,700)	27.90%	8,812
ICT Programme	3,854	1,719	(2,135)	44.61%	1,474

Total General Fund	**110,178**	**30,615**	**(79,563)**	**27.79%**	**20,460**
Housing Revenue Account	25,162	8,680	(16,482)	34.50%	5,830
Grand Total	**135,340**	**39,295**	**(96,045)**	**29.03%**	**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
	£'000	£'000	£'000	£'000	£'000	£'000
Schools Building Programme	171	-	782	-	-	953
General Fund Property Programme	11,285	-	-	-	-	11,285
Regeneration Programme	354	-	3,084	-	-	3,437
Environment Programme	1,267	-	72	-	-	1,339
Highways Programme	3,400	-	858	-	-	4,258
Housing General Fund Programme	6,562	-	1,061	-	-	7,623
ICT Programme	1,719	-	-	-	-	1,719
Total General Fund	**24,758**	**-**	**5,857**	**-**	**-**	**30,615**
Housing Revenue Account	151	995	2,180	549	4,805	8,680
Grand Total	**24,908**	**995**	**8,037**	**549**	**4,805**	**39,294**

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 2020/21

The Statement of Accounts (SoA) provides a picture of the Council's health as at the 31 March 2021, bringing together the financial performance of the Council for 2020/21 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.

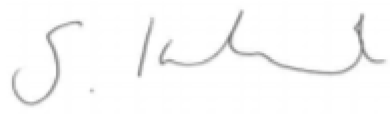
Explanation of Accounting Statements

The statement of accounts sets out the Council's income and expenditure for the year and its financial position as at the 31 March 2021. 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 2020/21 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
31 July 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 2021. 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 2021 and its income and expenditure for the year.

Sarah Ireland, CPFA
Executive Director of Corporate and Communities
(S151 Officer)
27 January 2023.

I certify that the draft Statement of Accounts was approved by the Audit, Governance and Standards Committee on 16 December 2021, and that I have delegated authority to approve the final audited Statement of Accounts.

Councillor Richard Thorpe
Chair, Audit, Governance and Standards Committee
27 January 2023

3. Auditor’s Reports

Auditor’s Report on the Financial Statements

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of The Royal Borough of Kingston upon Thames (the ‘Authority’) and its subsidiary (the ‘group’) for the year ended 31 March 2021, 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, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

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 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Corporate and Communities’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

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 2020/21 that the Authority and group’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority’s disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s or the group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Corporate and Communities use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director of Corporate and Communities with respect to going concern are described in the ‘Responsibilities of the Authority, the Executive Director of Corporate and Communities and Those Charged with Governance for the financial statements’ section of this report.

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 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 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 the 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 in April 2020 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 ‘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 matters 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, the other information published together with the financial statements in the Statement of Accounts 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 in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 2020/21, 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 Authority's and the group'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 and the group 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit, Governance and Standards Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit, Governance and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group’s financial statements to material misstatement, including how fraud might occur, by evaluating officers’ incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the recognition of income and expenditure at the end of the financial year. We determined that the principal risks were in relation to:
  - journal entries that altered the Authority’s financial performance for the year;
  - potential management bias in determining accounting estimates, especially in relation to:
    - the calculation of the valuation of the Council’s land and buildings; and
    - accruals of income and expenditure at the end of the financial year.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Corporate and Communities has in place to prevent and detect fraud;
  - journal entry testing, with a focus on significant journals at the end of the financial year which impacted on the Authority’s financial position;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of property valuations and defined benefit pension liability valuations;
  - substantive procedures to confirm the appropriateness of income and operating expenditure with a particular emphasis on transactions recorded close to and after 31 March 2021;
  - challenging assumptions and judgements made by management in making year end income and expenditure accruals; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority’s engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

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

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for The Royal Borough of Kingston upon Thames for the year ended 31 March 2021 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 2021; and

Auditor's Report on the Financial Statements (continued)

- our consideration of matters brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this work does not have a material effect on the financial statements.

We are satisfied that this work does not have a material effect on the financial statements.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner

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

London
27 January 2023

Auditor's Report on the Pension Fund Financial Statements

Independent auditor's report to the members of The Royal Borough of Kingston upon Thames on the pension fund financial statements of The Royal Borough of Kingston upon Thames Pension Fund

Opinion

We have audited the financial statements of The Royal Borough of Kingston upon Thames Pension Fund (the 'Pension Fund') administered by The Royal Borough of Kingston upon Thames (the 'Authority') for the year ended 31 March 2021 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 2020/21.

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 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Corporate and Communities use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

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 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10

Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Corporate and Communities’ use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Executive Director of Corporate and Communities with respect to going concern are described in the ‘Responsibilities of the Authority, Executive Director of Corporate and Communities and Those Charged with Governance for the financial statements’ section of this report.

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 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 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 the 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 (2020) 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, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

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

- we 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 in relation to the Pension Fund.

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

As explained more fully in the Statement of responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 2020/21, 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 for the Pension Fund. 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Audit, Governance and Standards Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit, Governance and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that altered the Fund's financial performance for the year; and
  - potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Funds Investment Assets
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Corporate and Communities has in place to prevent and detect fraud;
  - journal entry testing, using data analytics to consider all journal entries against specific criteria to identify entries we considered to be of higher risk of fraud. Such criteria included journals with unusual values, journals posted after the year end, journals with a material impact on the Fund's financial position for the year and journals created by senior managers;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial

statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner

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

London

27 January 2023

4. Core Financial Statements

THE ROYAL BOROUGH OF
KINGSTON
UPON THAMES

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 2019/20	Gross Income 2019/20	Net Expenditure 2019/20		Notes	Gross Expenditure 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
80,529	(25,684)	54,845	Adult Social Care		86,508	(38,849)	47,659
1,559	(182)	1,377	Chief Executive's		1,319	(180)	1,139
180,434	(128,465)	51,969	Corporate and Communities		160,843	(101,857)	58,986
77,230	(27,979)	49,251	Learning and Children's Services		115,520	(30,742)	84,778
61,156	(67,751)	(6,595)	Childrens Services - Schools		61,560	(83,557)	(21,997)
9,113	(3,765)	5,348	Place		32,683	(17,562)	15,121
22,767	(32,285)	(9,518)	Housing Revenue Account		7,260	(27,984)	(20,724)
432,788	**(286,111)**	**146,677**	**Cost of Services**		**465,693**	**(300,731)**	**164,962**

During the 2021/22 financial year a management restructure was implemented which changed the services included within most Directorates. The gross expenditure and income for 2019/20 reflect the previous structure in place in that year.

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20		Notes	Gross Expenditure 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
£000	**£000**	**£000**			**£000**	**£000**	**£000**
4,349	-	4,349	Other operating expenditure	6	1,783	1,246	3,029
19,624	(9,105)	10,519	Financing and investment income and expenditure	7	22,291	(8,515)	13,776
-	(149,473)	(149,473)	Taxation and non-specific grant income	8		(160,645)	(160,645)
456,761	(444,689)	**12,072**	**(Surplus) or deficit on the provision of services**		489,767	(468,645)	**21,122**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(12,413)	Surplus or deficit on revaluation of non-current assets	13a			(170,055)
		(49,571)	Actuarial gains or losses on pension assets and liabilities	31			33,413
		(61,984)	**Other comprehensive income and expenditure**				(136,642)
		(49,912)	**Total comprehensive income and expenditure (surplus)/deficit**				**(115,520)**

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.

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
2020/21	General Fund Balance	Earmarked General Fund 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	£'000	£'000
Balance at 31 March 2020	(16,131)	(14,193)	(30,324)	(7,203)	(16,839)	(4,424)	(16,102)	**(74,892)**	**(437,220)**	**(512,112)**
Movement during 2020/21:-										
Total Comprehensive Expenditure and Income	35,502	-	35,502	(14,380)				**21,122**	**(136,642)**	**(115,520)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(73,353)		(73,353)	17,086	(7,198)	(5,141)	409	**(68,197)**	**68,197**	**-**
Adjustment for Dedicated Schools Grant movement to unusable reserves	-	(12,402)	(12,402)					**(12,402)**	**12,402**	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(37,851)**	**(12,402)**	**(50,253)**	**2,706**	**(7,198)**	**(5,141)**	**409**	**(59,477)**	**(56,043)**	**(115,520)**
Transfers to / (from) Earmarked Reserves	34,351	(34,001)	350	(350)				**-**		**-**
(Increase) / Decrease in Year	(3,500)	(46,403)	**(49,903)**	**2,356**	**(7,198)**	**(5,141)**	**409**	**(59,477)**	**(56,043)**	**(115,520)**
Balance at 31 March 2021	**(19,631)**	**(60,596)**	**(80,227)**	**(4,847)**	**(24,037)**	**(9,565)**	**(15,693)**	**(134,369)**	**(493,263)**	**(627,632)**

Movement in Reserves Statement (continued)

2019/20 Comparative	Memorandum General Fund Balance	Earmarked General Fund Reserves	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(12,632)	(16,187)	(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	18,382	-	18,382	(6,311)	-	-	-	**12,071**	**(61,984)**	**(49,913)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(19,887)	-	(19,887)	6,592	(3,188)	(3,398)	452	**(19,430)**	**19,430**	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(1,505)**	**-**	**(1,505)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(42,554)**	**(49,913)**
Transfers to / (from) Earmarked Reserves	(1,994)	1,994	-	-				-		-
(Increase) / Decrease in Year	(3,499)	1,994	**(1,505)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(42,554)**	**(49,913)**
Balance at 31 March 2020	**(16,131)**	**(14,193)**	**(30,324)**	**(7,203)**	**(16,839)**	**(4,424)**	**(16,102)**	**(74,892)**	**(437,220)**	**(512,111)**

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 2020		Notes	31 March 2021
£'000			**£'000**
	Long Term Assets		
889,334	Property, plant and equipment	13a	1,040,626
1,209	Heritage assets	13b	1,209
85,812	Investment property	14	80,986
6,875	Intangible assets	13c	6,773
5,165	Long term investments	17	5,225
7,410	Long term debtors	17	7,866
995,805	**Total Long Term Assets**		**1,142,685**
	Current assets		
337	Assets held for sale	15	-
25,884	Short term investments	17	49,469
41	Inventories		41
38,616	Short term debtors	18	85,012
23,681	Cash and cash equivalents	20	11,024
88,559	Total Current Assets		**145,546**

Balance Sheet (continued)

31 March 2020		Notes	31 March 2021
£'000			**£'000**
	Current Liabilities		
(1,646)	Short term borrowing	17	(13,275)
(50,345)	Short term creditors	19	(84,726)
(2,876)	Provisions	21	(7,974)
(118)	Grants receipts in advance		(4,514)
(54,985)	**Total Current Liabilities**		**(110,489)**
	Long Term Liabilities		
(2,996)	Long term creditors		-
(304,445)	Long term borrowing	17	(301,712)
(209,037)	Liability Related to Defined Benefit Pension Scheme	31	(247,418)
(789)	Provisions	21	(980)
(517,267)	Total Long Term Liabilities		**(550,110)**
512,113	Net Assets		**627,632**
	Reserves		
(74,893)	Usable reserves		(134,370)
(437,220)	Unusable reserves	12	(493,262)
(512,113)	Total Reserves		**(627,632)**

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.

2019/20			2020/21
£000		Notes	**£000**
12,072	Net (surplus) or deficit on the provision of services		21,122
(22,548)	Adjustment to the net surplus or deficit on the provision of services for non-cash movements		(55,824)
20,949	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities		9,874
10,473	Net cash flows from operating activities	22	(24,828)
(21,003)	**Net cash flows from investing activities**	23	46,402
(8,500)	**Net cash flows from financing activities**	24	(8,917)
(19,030)	**Net (increase)/decrease in cash and cash equivalents**		**12,657**
	Represented by:		
4,651	Cash and cash equivalents at the beginning of the reporting period	20	23,681
19,030	Net increase/(decrease) in cash and cash equivalents	20	(12,657)
23,681	**Cash and cash equivalents at the end of the reporting period**		**11,024**

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 2020/21 financial year and its position at the year end of 31 March 2021. 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.

The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) came into force on 31 March 2021 and revised the statutory deadline for publishing the unaudited financial statements to 31st July, followed by the statutory deadline for publishing the audited financial statements by 30 September. These revised deadlines will be in place for two financial years.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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.

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 attributable to the assets used by the relevant service
- 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 non-current assets attributable to the service

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. This Minimum Revenue Provision (MRP) represents the repayment of debt used to finance capital assets. The debt is to be repaid over a period that is commensurate with that over which the capital expenditure provides benefits to the Council. Assets funded by debt receive their first MRP charge once they are operational, and provision to repay debt is set aside over the asset's useful life on an annuity basis. No MRP is charged on debt related to Commercial Investment capital expenditure, as the Council has the ability to sell these properties to repay any outstanding debt. Further information can be found in the Council's Treasury Management Strategy, approved as part of the 2020/21 budget.

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 The Royal Borough of Kingston upon Thames.

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.

Covid-19 Business Grant Funding

Only amounts where the Council acts as the principal have been recognised in the Council's financial statements, with items where the Council is acting as agent being held as a short term liability.

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, employee benefits and theDedicated Schools Grant deficit, 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.

The Council has also formed a joint venture called Cambridge Road (RBK) LLP, which was formed on 25 September 2020 with property developers Countryside Properties (UK) Limited. Control is shared equally between parties, and will be accounted for on the equity method in accordance with IFRS11. The level of activity of this company is not material in 2020/21 and so it will not be consolidated into the Council's Group Accounts, though will be recorded as an investment in the Council's single entity accounts.

The Council has also created a wholly owned subsidiary during 2020/21 called Kingston Upon Thames Investments, although the level of activity is also immaterial and so will not be consolidated into the Council's group accounts.

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.

Infrastructure assets are held with no prospect of selling or using for any purpose other than that for which it was created. Where a component of an infrastructure asset is replaced, the council has determined, in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

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.

Expected Credit Loss Model

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 3 - Definition of a Business: Business Combinations concerns whether an acquisition is a business or group of assets. No impact is anticipated for the Council's financial statements when implemented from 1 April 2021.

IAS .9, IFRS 9, IFRS 7, IFRS 16 Financial Instrument amendments is a narrow scope amendment affecting some prepayable financial instruments. There is no impact anticipated for the Council's financial statement when implemented from 1 April 2021.

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:

- 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.

- Similarly, the level of activity within the new joint venture Cambridge Road (RBK) LLP and Kingston Upon Thames Ltd is not considered material, and will not be consolidated into the Council's group accounts until it reaches a material level, which is expected to occur from 2021/22 onwards.

- 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.

- 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 Covid 19 outbreak, valuations reported in the comparative figures for 2019/20 are on the basis of 'material valuation uncertainty'. This is no longer the case for valuations as at 31 March 2021.	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 £1815k 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 31.3.2021 would reduce the balance sheet value by £10.3m
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 impacted global financial markets at the end of 2019/20 and as at the prior year valuation date, as such the Council's valuer felt that less weight could be attached to previous market evidence to inform opinions of value. Valuations were therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. As the real estate market has recovered, this is no longer the case and valuations as at 31 March 2021 are not reported on this basis.	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 £0.81m, 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. A full government response, incorporating the issues raised in earlier consultations, will be published in 2021 and changes to regulations are intended to come into force on 1 April 2023. Some pooled property funds have a degree of uncertainty surrounding their values. Their illiquidity was highlighted during the Covid-19 pandemic when many property funds were suspended from trading and valuations of underlying assets were subject to valuation uncertainty. This differentiates property funds from pooled funds in other asset classes. The property funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations.	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 £74.6m in the Council's pension liability; a 0.5% increase in the pension increase rate would increase the liability by approximately £69.3m and a 0.5% increase in the salary increase rate would increase the liability by approximately £4.0m. 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.

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.

2020/21	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	50,960	(5,590)	**45,370**	2,289	47,659
Chief Executive's	1,119	-	**1,119**	20	1,139
Communities	-	-	**-**	-	-
Corporate and Communities	71,220	(30,838)	**40,382**	18,604	58,986
Place	(3,681)	9,083	**5,402**	9,719	15,121
Learning and Children's services (incl schools)	31,659	(2,194)	**29,465**	33,316	62,781
Housing Revenue Account	-	(1,789)	**(1,789)**	(18,935)	(20,724)
Net cost of services	**151,277**	**(31,328)**	**119,949**	**45,013**	**164,962**
Other Operating Expenditure		561	**561**	2,468	3,029
Financing and investment income		10,228	**10,228**	3,548	13,776
Taxation and non-specific grants	(151,676)	(14,208)	**(165,884)**	5,239	(160,645)
(Surplus) or Deficit on provision of services	**(399)**	**(34,747)**	**(35,146)**	**56,268**	**21,122**
Opening General Fund and HRA Balances			**(23,334)**		
Add surplus/ deficit on GF & HRA Balance in year			**(1,144)**		
Closing General Fund and HRA Balances			**(24,478)**		

Note 5 Expenditure and Funding Analysis (continued)

2019/20 Comparative figures	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**	7,803	10,519
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)**	**15,290**	**12,071**
Opening General Fund and HRA Balances			**(20,116)**		
Add surplus/ deficit on GF & HRA Balance in year			**(3,218)**		
Closing General Fund and HRA Balances			**(23,334)**		

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**	**2020/21**	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**
	(5,590)	**(5,590)**	Adult Social Care	1,932	232	125	**2,289**
-	-	**-**	Chief Executive's	-	12	8	**20**
-	-	**-**	Communities	-	-	-	**-**
(560)	(30,278)	**(30,838)**	Corporate and Communities	13,227	4,027	1,350	**18,604**
-	9,083	**9,083**	Place	9,067	76	576	**9,719**
-	(2,194)	**(2,194)**	Learning and Childrens' (incl schools)	33,313	274	(271)	**33,316**
-	(1,788)	**(1,788)**	HRA	(19,084)	80	69	**(18,935)**
(560)	**(30,767)**	**(31,327)**	Net cost of services	**38,455**	**4,701**	**1,857**	**45,013**
560	-	**560**	Other Operating Expenditure	2,468		-	**2,468**
-	10,230	**10,230**	Financing and investment income	(1,263)	4,803	8	3,548
-	(14,208)	**(14,208)**	Taxation and non - specific grants	(15,235)		20,474	**5,239**
-	**(34,745)**	**(34,745)**	Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit	**24,425**	**9,504**	**22,339**	**56,268**

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**	**2019/20 Comparative figures**	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 Communities	3,632	1,280	(19,064)	**(14,152)**
-	34	**34**	Place	2,663	302	9,393	**12,359**
-	5,727	**5,727**	Learning and Childrens' (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	6,566	(518)	7,803
	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**	**15,068**	**(27,551)**	**15,290**

Note 5b Expenditure and Income Analysed by Nature

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

2019/20		2020/21
£000		**£000**
	Expenditure	
126,967	Employee benefits expenses	131,444
281,306	Other service expenses	322,792
33,212	Depreciation, amortisation and impairment	19,850
3,105	Gain or Loss on disposal of non-current assets	3,805
11,001	Interest payments	11,028
555	Precept and Levies	848
456,146	**Total Expenditure**	**489,767**
	Income	
(138,858)	Fees and charges and other service income	(87,510)
(119,931)	Income from Council Tax and Business Rates	(102,389)
(184,674)	Government grants and contributions	(278,162)
(611)	Interest and investment income	(584)
(444,074)	**Total Income**	**(468,645)**
12,072	**(Surplus) or Deficit on Provision of Services**	**21,122**

Note 6 Other Operating Expenditure

2019/20		2020/21
£'000		**£'000**
555	Levies paid to Other Local and Public Authorities	560
690	Payment to the Government Housing Capital Receipts Pool	690
3,104	Net Losses/(Profit) on the disposal of non-current assets	1,779
4,349	**TOTAL**	**3,029**

Note 7 Financing and Investment Income and Expenditure

2019/20		2020/21
£'000		**£'000**
11,613	Interest payable and similar charges	11,028
2	Interest payable from finance lease	-
5,952	Net interest on the net defined benefit pension scheme liability	4,803
-	Remeasurements of the net defined benefit liability (asset)	-
(628)	Interest income	(200)
(598)	Interest receivable from finance leases	(384)
(518)	Income and expenditure in relation to investment properties and changes in their fair value	5,056
(5,304)	Other investment income	(6,527)
10,519	**TOTAL**	**13,776**

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.

2019/20		2020/21
£'000		**£'000**
(97,712)	Council Tax Income	(100,675)
(22,219)	Business Rates Retention Scheme	(1,714)
(11,675)	Non-ringfenced government grants	(43,021)
(17,867)	Capital grants and contributions	(15,235)
(149,473)	Total Credited to Taxation and Non-Specific Grant Income	**(160,645)**

Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20	Grants Credited to Taxation and Non-Specific Grant Income	2020/21
£'000	**Non-ringfenced government grants:**	**£'000**
	In relation to Covid-19:	
-	COVID-19 Expanded Retail Reliefs	(14,889)
(3,708)	COVID-19 Unringfenced Support Grant	(7,833)
-	COVID-19 Sales, Fees & Charges Compensation	(7,612)
-	COVID-19 Local Tax Income Guarantee	(2,793)
-	COVID-19 Council Tax Hardship Funding	(612)
	Other:	
(1,951)	New Homes Bonus	(1,893)
(3,633)	Section 31 Business Rate Grant	(1,929)
(1,213)	Better Care Fund	(1,786)
(2,315)	Other Non-ringfenced government grants	(3,674)
	Health & other non government funding	
(12,820)	Total	**(43,021)**
	Capital Grants and Contributions:	
(8,775)	Transport for London	(3,771)
(1,879)	Schools Basic Need	-
(3,274)	Schools Capital funding	(1,841)
(1,340)	Disabled Facilities	(1,520)
(2,193)	Community Infrastructure Levy	(5,514)
-	GLA grant contribution to Small Sites Programme in 2020-21	(2,180)
(406)	Other Capital Grants and Contributions	(409)
(17,867)	Total	**(15,235)**

Note 9 Grant Income (continued)

2019/20	Revenue Grants Credited to Services	2020/21
£'000		**£'000**
	In relation to Covid-19:	
-	Business Grants	(1,479)
-	Additional Restrictions Grant	(677)
-	Closed Business Lockdown Payments	
-	Local Restrictions Support Grant	(780)
-	Contain Outbreak Management Fund	(3,762)
-	Test and Trace Services	(1,473)
-	Infection Control Funding	(92)
-	Other Covid-19 funding	(1,862)
	Other service grants:	
(79,848)	Dedicated Schools Grant	(96,302)
(1,289)	Education & Skills Funding Agency funding	
(9,840)	Public Health Grant	(10,151)
(2,917)	Pupil Premium	(5,945)
(1,080)	Unaccompanied Asylum Seeking Children (UASC)	(1,537)
(527)	Troubled Families Grant	(299)
(1,743)	Universal Infants Free School Meals	(1,854)
(1,274)	Private Leasing Scheme	
(61,176)	Benefit Subsidy	(55,651)
(1,279)	Teachers Pension Employer Contribution Grant	(2,422)
(5,687)	Other Revenue Grants Credited to Services	(4,684)
(166,660)	Total Revenue Grants included in Cost of Services	**(188,970)**

Note 9 Grant Income (continued)

The table below shows income and expenditure of the key grants received by the Council. It also shows the amounts which will be incorporated into the Council's financial accounts where the Council is acting as principal. Where grants have been distributed on behalf of central government, the Council is acting as an agent, and the income and expenditure does not count as part of the Council's activity.

Covid-19: Specific Grant Funding: Totals received and paid in 2020-21	**Total funding allocation**	**Total Expenditure by Council**	**Remainder - held in reserves to meet future expenditure**	**Remainder - not recognised as income**	**Of which: income Recognised in CIES**	**Of which: expenditure Recognised in CIES**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Business Grants - distributed up to September 2020	(31,307)	31,307	-	-	(1,412)	1,412
Local Restrictions Support Grant - open, closed and sectors	(16,083)	8,466	(125)	(7,492)	(780)	655
Expanded Retail Reliefs to reduce NNDR liability *	(14,889)	-	(14,889)		(14,889)	-
Closed Business Lockdown Payments	(9,747)	4,935	-	(4,812)	-	-
Additional Restrictions Grant	(5,127)	677	-	(4,450)	(677)	677
Infection Control, Rapid Testing, and Workforce Capacity grants	(4,284)	4,284	-	-	-	-
Council Tax Hardship Grant	(1,132)	520	(612)	-	(1,132)	520
Self Isolation Payment - grants to eligible individuals	(381)	154	-	(227)	-	-
Local Authority Emergency Assistance Grant	(127)	127	-		-	-
Winter Support Packages for Wet Led Pubs	(51)	33	-	(18)	-	-
Total Covid Grant Funding	**(83,128)**	**50,503**	**(15,626)**	**(16,999)**	**(18,890)**	**3,264**

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)

2020/21	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	(22,639)	(9,931)	-	-	-	**32,570**
Revaluation losses on Property Plant & Equipment	(32,628)	19,517				**13,111**
Amortisation of Intangible Assets	(2,036)	(15)	-	-	-	**2,051**
Movements in the market value of investment properties	(125)	(4,931)	-	-	-	**5,056**
Capital Grants and contributions applied	5,272	2,180	-	-	-	**(7,452)**
Revenue expenditure funded from capital under statute	(1,497)	(980)	-	-	-	**2,477**
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3,025)	(845)	-	-	-	**3,870**
Statutory provision for repayment of debt	7,156	-	-	-	-	**(7,156)**
Any voluntary provision for repayment of debt	-		-	-	-	**-**
Capital expenditure charged against the General Fund and HRA balances	-	549	-	-	-	**(549)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	7,783	-	(7,783)	-	-	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	585	-	-	**(585)**
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	(28)	-	-	-	-	**28**

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

2020/21 (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	42	2,049			(2,091)	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure			-		995	**(995)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(19)			19	**-**
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	(795)				795	**-**
Adjustments primarily involving the Major Repairs Reserve:						
Contribution to Major Repairs Reserve		9,946		(9,946)		**-**
Use of the Major Repairs Reserve to finance new capital expenditure				4,805		**(4,805)**
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	(541)	-	-	-	-	**541**
Adjustments primarily involving the Financial Instruments Revaluation Reserve:						
Impairment Losses	60	-	-	-	-	**(60)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the CIES (see Note 31)	(22,128)	(1,493)	-	-	-	**23,621**
Employers Pensions contributions and direct payments to pensioners payable in the year	13,008	1,108	-	-	-	**(14,116)**

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

2020/21 (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	(20,474)	-	-	-	-	**20,474**
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	(67)	(49)	-	-	-	**116**
Total Adjustments	**(73,352)**	**17,086**	**(7,198)**	**(5,141)**	**408**	**68,197**

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

2019/20 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	(20,616)	(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 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	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	(1,182)	-	-	-	-	**1,182**
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 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 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	**(19,887)**	**6,592**	**(3,188)**	**(3,398)**	**452**	**19,430**

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 2020/21.

Earmarked Reserves	Balance 31 March 2019	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2020	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves earmarked for future revenue expenditure:									
Covid-19 Related Reserves:									
Covid-19 Grant Carry forward reserve	**-**	(2,563)	-	-	**(2,563)**	(7,759)	2,563	-	**(7,759)**
Covid-19 Expanded Business Rate Relief Grant carry forward	**-**	-	-	-	**-**	(14,889)	-	-	**(14,889)**
Covid-19 Hardship Funding pending allocation	**-**	-	-	-	**-**	(612)	-	-	**(612)**
Covid-19 Local Restrictions Support Grant pending allocation	**-**	-	-	-	**-**	(125)	-	-	**(125)**
Covid-19 Reserve	**-**	(1,809)	-	-	**(1,809)**		1,809		**-**
Corporate Reserves:									
Strategic Investment Reserve	**(3,765)**	(1,050)	1,160	(683)	**(4,338)**	(1,827)	-	-	**(6,165)**
Collection Fund Risk Reserve	**-**	-	-	-	**-**	(4,771)	-	-	**(4,771)**
Revenue Grants Unapplied Reserve	**(1,734)**	(456)	264	(245)	**(2,171)**	(339)	693		**(1,817)**
Redundancy Reserve	**(432)**	-	182	-	**(250)**	(364)			**(614)**
Election Reserve	**(142)**	(92)	-	-	**(234)**	(92)			**(326)**
Company Loss Reserve	**(702)**	-	-	-	**(702)**	-			**(702)**
Children's Services and Education Reserve	**(2,000)**	(783)	1,297	-	**(1,486)**	(1,955)	2,021		**(1,420)**
Insurance Reserve	**(974)**	(500)	-	-	**(1,474)**				**(1,474)**
Local Plan Reserve	**-**	(130)	61	-	**(69)**	(130)	12		**(187)**
Service Specific Reserves:									
Communities	**(378)**	-	131	102	**(145)**	(1,267)	727		**(685)**
Corporate and Commercial	**(557)**	-	-	557	**-**				**-**
Children's Services	**(309)**	-	130	-	**(179)**				**(179)**
Adults Services	**(109)**	-	-	109	**-**				**-**

Transfers To/From Earmarked Reserves (continued)

Earmarked Reserves	Balance 31 March 2019	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2020	Transfers In	Transfers Out	Transfers Between	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Statutory Reserves:									
On Street Parking Reserve	**(729)**	(3,449)	4,137	-	**(41)**	(1,707)	1,748		**-**
Bus Lane Enforcement Reserve	(61)	(1,340)	1,200	-	(201)	(582)	784		1
Moving Traffic Contravention Reserve	**(1,582)**	(1,761)	2,754	-	**(589)**	(1,221)	1,811		**1**
Kingston Theatre LLP Retained Profits Reserve	(959)	(11)	-	-	(970)				(970)
Other Revenue Funds:									
Coombe Estate Reserve	(90)	(10)	-	-	(100)	(11)	47		(64)
Earmarked Revenue Grants Funding	**(8,739)**	(900)	772	160	**(8,707)**	(991)	17		**(9,681)**
Total earmarked for future revenue expenditure	**(23,263)**	**(14,854)**	**12,088**	**-**	**(26,029)**	**(38,642)**	**12,232**	**-**	**(52,439)**
HRA Earmarked Reserves:									
HRA Earmarked Reserves	(486)	-	-	-	(486)	(480)	350	-	(616)
Total HRA earmarked reserve	**(486)**	**-**	**-**	**-**	**(486)**	**(480)**	**350**	**-**	**(616)**
Schools									
Schools (held by Schools under delegated schemes)	**(4,612)**	(615)	810	**-**	**(4,417)**	(2,616)	2,007	-	**(5,026)**
Unallocated DSG	14,072	-	5,180	-	19,252	(12,000)	5,150	(12,402)	-
Total Schools	**9,460**	**(615)**	**5,990**	**-**	**14,835**	**(14,616)**	**7,157**	**(12,402)**	**(5,026)**
Reserves earmarked for future capital expenditure:									
Kingston Bridge Reserve Fund	**(562)**	**(3)**	**-**	**-**	**(565)**				**(565)**
Gloucester Rd Bridge Reserve	(83)	-	-	-	(83)				(83)
Other earmarked capital reserves	**(1,253)**	(612)	-	**-**	**(1,865)**				**(1,865)**
Total earmarked for future capital expenditure	**(1,898)**	**(615)**	**-**	**-**	**(2,513)**	**-**	**-**	**-**	**(2,513)**
Total earmarked reserves	**(16,187)**	**(16,084)**	**18,078**	**-**	**(14,193)**	**(53,738)**	**19,739**	**(12,402)**	**(60,594)**
General Fund balances	**(12,632)**	**(3,500)**	**-**	**-**	**(16,132)**	**(3,500)**	**-**	**-**	**(19,632)**

Transfers To/From Earmarked Reserves (continued)

Further information about the purpose of the reserves held is set out below:

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 Grant carry forward reserve - holds unspent amounts of Covid-19 grant funding where costs will impact the general fund in future years. The most significant items within this balance are Contain Outbreak Management Fund and Local Tax Income Guarantee funding.

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 – the unallocated DSG represents an accumulated deficit of DSG funding. Following changes to legislation, the deficit at the end of 2020/21 has been moved to an unusable reserve: the Dedicated Schools Grant Adjustment Account. This legislation was made to ensure that DSG deficits are separated from a Council's General Fund resources. See note 12 for further information.

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 2020		31 March 2021
£'000		**£'000**
(162,303)	Revaluation Reserve	(340,365)
(477,013)	Capital Adjustment Account	(431,413)
209,037	Pensions Reserve	251,955
(2,543)	Financial Instruments Adjustment Account	(2,002)
(8,123)	Deferred Capital Receipts	(8,095)
989	Collection Fund Adjustment Account	21,463
2,801	Accumulated Absences Account	2,918
(65)	Financial Instruments Revaluation Reserve	(125)
-	Dedicated Schools Grant Adjustment Account	12,402
(437,220)	**TOTAL**	**(493,262)**

Note 12 Unusable Reserves (continued)

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 2020/21, £2.876m (2019/20 £5.147m) of revaluation gains were written out due to asset disposal and current value depreciation and £221.415m (2019/20 £14.673m) was added to the reserve due to revaluation gains.

2019/20		2020/21
£'000		**£'000**
(155,037)	**Balance at 1 April**	**(162,303)**
(24,311)	Upward revaluation of assets	(223,299)
11,898	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	53,245
(12,413)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(170,054)
2,624	Difference between current value depreciation and historical cost depreciation	(8,355)
2,523	Accumulated losses on assets sold or scrapped	347
5,147	Amount written off to the Capital Adjustment Account	(8,008)
(162,303)	**Balance at 31 March**	**(340,365)**

Note 12 Unusable Reserves (continued)

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 2019/20 and 2020/21:

2019/20		2020/21
£'000		£'000
(474,831)	**Balance at 1 April**	**(477,013)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
29,752	Charge for depreciation and impairment of non-current assets	32,569
-	Impairment of available for sale financial assets	-
(7,626)	Revaluation gains/(losses) on Property, Plant and Equipment	13,112
1,704	Amortisation of intangible assets	2,051
4,998	Revenue expenditure funded from capital under statute	2,477
9,990	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	3,870
38,818		**54,079**
(2,624)	Difference between current value depreciation and historical cost depreciation	8,355
(2,523)	Accumulated losses on assets sold or scrapped	(347)
33,671	**Net written out amount of the cost of non-current assets consumed in the year**	**62,087**

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2019/20		2020/21
£'000		**£'000**
	Capital financing applied in the year:	
(4,841)	Use of the Capital Receipts Reserve to finance new capital expenditure	(995)
(5,754)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,805)
(14,063)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,452)
(616)	Application of grants to capital financing from the Capital Grants Unapplied Account	(585)
(7,016)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(7,157)
(9)	Voluntary provision for the repayment of debt	-
(2,344)	Funded from Revenue Reserves	-
(692)	Capital expenditure charged against General Fund and HRA balances	(549)
(35,335)		**(21,543)**
(518)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,056
(477,013)	**Balance at 31 March**	**(431,413)**

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.

2019/20		2020/21
£'000		**£'000**
244,155	**Balance at 1 April**	**209,037**
(49,571)	Remeasurement of the net defined benefit liability	33,413
(13,660)	Actual contributions from employers including unfunded element	(14,116)
21,050	Current Service Costs	18,740
1,499	Past service costs	78
(388)	Effect of settlements	-
5,952	Effect of interest costs	4,803
-	Effect of business combinations	-
209,037	**Balance at 31 March**	**251,955**

Financial Instruments Adjustment Account

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

2019/20		2020/21
£'000		£'000
(3,725)	**Balance at 1 April**	**(2,543)**
614	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	(21)
568	Calculated interest on Loan from Greater London Authority	**562**
(2,543)	**Balance at 31 March**	(2,002)

Note 12 Unusable Reserves (continued)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the receipts from leases.

2019/20		2020/21
£'000		**£'000**
(8,139)	**Balance at 1 April**	**(8,123)**
16	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	28
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(8,123)	**Balance at 31 March**	**(8,095)**

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.

2019/20		2020/21
£'000		**£'000**
(62)	**Balance at 1 April - Council Tax**	**(226)**
62	Opening balance reversed back to the Collection Fund Control Account	226
(226)	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	2,258
(226)	**Balance at 31 March**	**2,258**
(521)	**Balance at 1 April - Business Rates**	**1,215**
521	Opening balance reversed back to the Collection Fund Control Account	(1,215)
1,215	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	19,205
1,215	**Balance at 31 March**	**19,205**
989	**Grand Total**	**21,463**

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 2021. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Account.

2019/20		2020/21
£'000		**£'000**
3,603	**Balance at 1 April**	**2,801**
(3,603)	Settlement or cancellation of accrual at the end of the preceding year	(2,801)
2,801	Amounts accrued at the end of the current year	2,918
2,801	**Balance at 31 March**	**2,918**

Note 12 Unusable Reserves (continued)

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.

2019/20		2020/21
£'000		**£'000**
(107)	**Balance at 1 April**	**(65)**
-	Transfer of Available for Sale balances - IFRS 9 Categorisation	
-	Upward revaluation of investments	(60)
42	Downward revaluation of investments	
-	Change in impairment loss allowances	-
(65)	**Balance at 31 March**	**(125)**

Note 12 Unusable Reserves (continued)

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account was created during 2020/21 by the statutory instrument “Schools and Early Years Finance (England) Regulations 2020”. It holds the Council’s cumulative DSG deficit, which was previously reported as an earmarked reserve under the heading “Unallocated DSG”. The purpose of this statutory instrument was to ensure school deficits are held separately from the Council’s general fund resources.

2019/20		2020/21
£’000		**£’000**
-	**Balance at 1 April**	**-**
-	Amount of Dedicated Schools Grant deficit transferred to unusable reserves	12,402
-		
-	**Balance at 31 March**	**12,402**

Note 13a Property Plant & Equipment

2020/21	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 2020	**381,044**	**403,839**	**29,767**	**179,310**	**3,761**	**14,891**	**6,467**	**1,019,080**
Additions	7,778	3,376	1,549	6,974	1,172	-	9,833	30,682
Revaluation increases/(decreases) recognised in the Revaluation Reserve	745	162,439	-	-	-	(1,163)	-	162,021
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,499	(33,937)	-	-	-	-	-	(23,438)
Derecognition - Disposals	(845)	(3,025)	-	-	-	-	-	(3,870)
Reclassifications/Transfers	(230)	336	-	-	-	-	-	106
At 31st March 2021	**398,991**	**533,028**	**31,316**	**186,284**	**4,933**	**13,728**	**16,300**	**1,184,581**

Note 13a Property Plant & Equipment (continued)

2020/21	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 2020	**-**	**(3,509)**	**(24,848)**	**(101,389)**	**-**	**-**	**-**	**(129,746)**
Depreciation charge	(9,531)	(13,890)	(2,452)	(6,697)	-	-	-	(32,570)
Depreciation charge written out to the Revaluation Reserve	219	7,814	-	-	-	-	-	8,033
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	9,311	1,014	-	-	-	-	-	10,325
Derecognition - Disposals	-	-	-	-	-	-	-	-
At 31st March 2021	**(1)**	**(8,571)**	**(27,300)**	**(108,086)**	**-**	**-**	**-**	**(143,958)**
Net book value at 31st March 2021	398,990	524,457	4,016	78,198	4,933	13,728	16,300	1,040,623
Net book value at 31st March 2020	381,044	400,330	4,919	77,921	3,761	14,891	6,467	889,334
Nature of asset holding								
Owned	398,990	524,457	4,015	78,198	4,933	13,728	16,300	1,040,622
Leased	-	-	1	-	-	-	-	1
	398,990	**524,457**	**4,016**	**78,198**	**4,933**	**13,728**	**16,300**	**1,040,623**

Note 13a Property Plant & Equipment (continued)

2019/20 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 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 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 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)

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 2020/21, 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.

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 previous balance sheet date of 31 March 2020 was at the start of the national Covid 19 pandemic response. Therefore the valuations at this date were on the basis of material valuation uncertainty, as per the RICS Red Book Global. Whilst the pandemic continues to affect economies and real estate markets, these are largely functioning again with sufficient transactions and evidence upon which to base the valuation. The valuations provided as at 31 March 2021 are therefore <u>not</u> subject to material valuation uncertainty.

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 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 2020/21 depreciation for Council dwellings has been calculated based on componentisation of blocks of similar properties (using beacon principles).This resulted in depreciation of £9.531m being charged to the HRA (2019/20 £8.659m).

Schools Valuations

The valuation methodology applied by the Council's valuer has been amended to match the basis used by the Department of Education and wider industry. A school's valuation is now based upon the replacement cost of a school of an equivalent size, rather than the cost of the legacy premises, that may not be fully used.

Capital Commitments

As of 31 March 2021, 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 2020		Value of commitment 31 Mar 2021
£'000		**£'000**
233	Schools programme	552
759	General fund property programme	1,218
218	Public realm programme	1,906
3,310	Highways & transport programme	965
785	ICT programme	1,624
6,191	HRA housing	5,797
11,496		**12,062**

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 2021. 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 2021	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Surplus Assets	-	-	13,729	13,729
Investment Properties	-	-	80,986	80,986
Assets Held for sale	-	-	-	-
	-	**-**	**94,715**	**94,715**

Note 13b Heritage Assets

The value of the Council's Heritage Assets totalled £1.209m as at 31 March 2021. 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 £2.051m charged to revenue in 2020/21 was charged directly to each service heading (£1.704m in 2019/20).

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

2019/20		2020/21
£'000		**£'000**
	Balance at start of year:	
12,796	- Gross carrying amounts	16,414
(7,836)	- Accumulated amortisation	(9,540)
4,960	**Net carrying amount at start of year**	**6,874**
	Additions:	
3,619	- Purchases	1,950
(1,704)	Amortisation for the period	(2,051)
6,875	**Net carrying amount at end of year**	**6,773**
	Comprising:	
16,415	- Gross carrying amounts	18,364
(9,540)	- Accumulated amortisation	(11,591)
6,875		**6,773**

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 prior year valuation date, as such the Council's valuer felt that less weight could be attached to previous market evidence to inform opinions of value. Valuations were 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 had continued to exercise their professional judgement in providing the valuation and this remained the best and most reliable information available to the Council. As at the current balance sheet date of 31 March 2021, this material valuation uncertainty no longer exists and the valuations are not prepared on this basis.

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

2019/20		2020/21
£'000		**£'000**
85,080	Balance at start of the year	85,812
354	Reclassifications	230
-	Additions	-
(140)	Disposals	-
-	Transfers to and from Investment properties	-
518	Net gains/(losses) from current value adjustments (Revaluations and Impairments)	(5,056)
85,812	**Balance at the end of the year**	**80,986**

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

2019/20		2020/21
£'000		**£'000**
(7,450)	Rental Income from Investment Properties	(7,201)
661	Direct Operating Expenses arising from Investment Property	674
(6,789)		**(6,527)**

Note 15 Assets Held for Sale

There are no properties held for sale at 31.3.2021: the unsold property has been transferred back to Other Land & Buildings.

2019/20		2020/21
£'000		**£'000**
337	**Balance outstanding at start of the year**	**337**
	Assets newly classified as held for sale:	
-	- Land & buildings	-
	Assets declassified as held for sale:	
-	Derecognition - disposals	-
-	Reclassifications	(337)
337	**Balance outstanding at year-end**	**-**
	Represented by:	
337	- Short term assets held for sale	-
337	**Total assets held for sale**	**-**

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:

2019/20		2020/21
£'000		**£'000**
341,411	**Opening Capital Financing Requirement**	**344,580**
	Capital Investment:	
29,400	Property, Plant and Equipment	30,682
-	Investment Properties	-
3,618	Intangible Assets	1,950
4,998	Revenue Expenditure Funded from Capital Under Statute	2,477
	Sources of Finance:	
(4,841)	Capital Receipts	(995)
(17,123)	Government grants and other contributions	(8,586)
	Sums set aside from revenue	
(5,858)	- Direct revenue contributions	(4,805)
(7,025)	- MRP / Loans fund principal	(7,157)
344,580	**Closing Capital Financing Requirement**	358,146
	Explanation of movements in year:	
3,169	Increase in underlying need to borrow (unsupported by government financial assistance)	13,566
3,169	**Increase in Capital Financing Requirement**	**13,566**

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 2020							31 March 2021
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
4,931	-	-	-	-	4,931	Fair value through profit and loss	5,049	-	-	-	-	5,049
	7,410	25,883	30,917	23,681	87,891	Amortised Cost	-	7,866	49,470	45,251	11,024	113,611
235	-	-	-	-	235	Fair value through other comprehensive income - designated equity instruments	176	-	-	-	-	176
5,165	7,410	25,883	30,917	23,681	93,057	**Total financial assets**	5,225	7,866	49,470	45,251	11,024	118,836
-	-	-	7,700	-	7,700	Non-financial assets	-	-	-	39,760	-	39,760
5,165	7,410	25,883	38,617	23,681	100,757	**Total**	5,225	7,866	49,470	85,011	11,024	158,596

Note 17 Financial Instruments (continued)

				31 March 2020						31 March 2021
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
(303,831)	-	(1,646)	(33,215)	(338,692)	Amortised Cost	(301,712)	-	(13,275)	(81,860)	(396,847)
(303,831)	-	(1,646)	(33,215)	(338,692)	Total financial liabilities	(301,712)	-	(13,275)	(81,860)	(396,847)
-	(3,000)	-	(17,129)	(20,129)	Non-financial liabilities	-	-	-	(2,866)	(2,866)
(303,831)	(3,000)	(1,646)	(50,344)	(358,821)	Total	(301,712)	-	(13,275)	(84,726)	(399,713)

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	2019/20	2020/21
	£'000	£'000
Opening Balance	21,930	22,498
Increase in the discounted amount	568	562
Closing balance at end of year	22,498	23,060
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 2020/21	Dividends
	£'000	£'000	£'000	£'000
Kingston Theatre LLP	5,083	165	(59)	(79)
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:

	2019/20			2020/21
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:		
42	-	Financial assets measured at fair value through profit or loss	118	-
586	-	Financial assets measured at amortised cost	562	-
-	-	Investments in equity instruments designated at fair value through other comprehensive income	-	-
628	-	**Total net gains/losses**	680	-
		Interest revenue:		
(1,226)	-	Financial assets measured at amortised cost	(584)	-
-	(24)	Other financial assets measured at fair value through other comprehensive income	-	(79)
(1,226)	(24)	**Total interest revenue**	(584)	(79)
		Interest expense		
11,001	-	Financial assets or financial liabilities that are not at fair value through profit or loss	11,028	-
11,001	-	**Total interest expense**	11,028	-

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 2021	As at 31 March 2020
			£'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	5,049	4,931
Total			**5,049**	**4,931**
Fair Value through Other Comprehensive Income				
Equity shareholding in Kingston theatre LLP	Level 3	Equity share attributable to shareholders	165	224
Equity shareholding in UK Municipal Bond Agency PLC	Level 3	Equity share attributable to shareholders	11	11
Total			**176**	**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 2020 are also provided for comparison.

Fair Value of Liabilities Carried at Amortised Cost

31 March 2020			31 March 2021	
Carrying amount	**Fair Value**		**Carrying amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
(220,974)	(272,171)	PWLB debt	(217,058)	(289,468)
(61,943)	(94,511)	Non-PWLB debt	(61,593)	(97,907)
(22,498)	(22,498)	GLA Soft Loan	(23,060)	(23,060)
(1,646)	(1,646)	Short term Borrowing	(13,275)	(13,275)
(35,326)	(35,326)	Short term creditors	(81,860)	(86,045)
(6)	(6)	Short term finance lease liability	-	-
(342,393)	**(426,158)**	Total financial liabilities	**(396,846)**	**(509,755)**

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 2021) 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 £217.1m would be valued at £289.4m.

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 £314.4m.

Note 17 Financial Instruments (continued)

Fair Value of Assets Carried at Amortised Cost

31 March 2020			31 March 2021	
Carrying amount	**Fair Value**		**Carrying amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
25,882	25,882	Money market loans < 1 year	35,225	35,225
24,151	24,151	Short term investments	14,244	14,244
33,628	33,628	Short term debtors	45,250	45,250
7,410	7,410	Long term debtors	7,866	8,459
23,681	23,681	Cash	11,024	11,024
114,752	**114,752**	Total financial assets	**113,609**	**114,202**

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 2021	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				
Financial liabilities held at amortised cost:				
PWLB	-	(289,468)	-	(289,468)
Non-PWLB	-	(97,907)	-	(97,907)
GLA Soft Loan	-	(23,060)	-	(23,060)
Short term debt	-	(13,275)	-	(13,275)
Short term creditors	-	(86,045)	-	(86,045)
Finance lease liability	-	-	-	-
Total	**-**	**(509,755)**	**-**	**(509,755)**
Financial assets				
Financial assets held at amortised cost:	-	113,611	-	113,611
Total	**-**	**113,611**	**-**	**113,611**

Note 17 Financial Instruments (continued)

31 March 2020 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		(272,171)		(272,171)
Non-PWLB		(94,511)		(94,511)
GLA Soft Loan		(22,498)		(22,498)
Short term debt		(775)		(775)
Long 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**

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.

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 2020 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 limits the value and duration of deposits with individual institutions dependent on banding derived from modelling combining credit ratings, credit watches and credit outlooks and overlaid with Credit Default Swap (CDS) spreads, as set out in the Treasury Management strategy.

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 2020		31 March 2021
£'000		**£'000**
220,138	Public Works Loans Board	219,364
61,000	Market debt	51,000
26,625	GLA	26,625
-	Temporary loans	10,000
307,763	Total	**306,989**
775	Less than 1 year	13,275
3,275	Between 1 and 2 years	775
4,325	Between 2 and 5 years	4,326
48,021	Between 5 and 10 years	57,633
251,367	More than 10 years	230,980
307,763	Total	**306,989**

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 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2021
	£'000
Increase in interest receivable on variable rate investments	1,813
Impact Surplus or Deficit on the Provision of Services	**1,813**
Share of overall impact credited to the HRA	1,147
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)	(57,221)

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

2019/20		2020/21
£'000		**£'000**
8,184	Central Government Bodies	13,624
9,162	Other Local Authorities	24,009
6,577	NHS Bodies	1,812
1	Public Corporations & Trading Funds	(11)
14,693	Other Entities & Individuals	50,114
38,617	**Total**	**89,548**

2019/20		2020/21
£'000		**£'000**
55,078	Debtors	106,352
3,188	Payments in advance	2,979
(19,649)	Less Provision for impairment of bad debts	(24,319)
38,617	**Total**	**85,012**

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.

2019/20		2020/21
£'000		**£'000**
(7,820)	Central Government Bodies	(38,477)
(17,328)	Other Local Authorities	(5,822)
(1,466)	NHS Bodies	(302)
-	Public Corporations & Trading Funds	-
(23,731)	Other Entities & Individuals	(40,125)
(50,345)	**Total**	**(84,726)**

2019/20		2020/21
£'000		**£'000**
(45,144)	Creditors	(81,583)
(5,201)	Receipts in Advance	(3,143)
(50,345)	**Total**	**(84,726)**

Note 20 Cash and cash equivalents

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

2019/20		2020/21
£'000		**£'000**
7,912	Cash held by the Authority	7,319
(4,794)	Cash at Bank	(12,616)
20,563	Short-term liquid deposits	16,321
23,681	**Total**	**11,024**

Note 21 Provisions

	Balance b/fwd 1 April 2020	Additional provisions made in 2020/21	Amounts used in 2020/21	Unused amounts reversed in 2020/21	Balance c/fwd 31 March 2021
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Non Current Provisions:					
a) Long Term Insurance Provision	(789)	(191)	-	-	(980)
Total Non Current Provisions	(789)	(191)	-	-	(980)
Current Provisions:					
b) Short Term Insurance Provision	(969)	-	-	-	(969)
c) NNDR Appeals	(1,152)	(3,554)	1,518	-	(3,188)
d) HRA Water Charges Provision	(750)	(1,022)	-	-	(1,772)
e) Keir Escalation	-	(1,500)	-	-	(1,500)
f) London Pool Gain	-	(255)	-	-	(255)
g) Other	(5)	(290)	-	5	(290)
Total Current Provisions	(2,876)	(6,621)	1,518	5	(7,974)
Total	**(3,665)**	**(6,812)**	**1,518**	**5**	**(8,954)**

a) Long Term Insurance Provision -this provision is held 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 beyond one year. As at 31 March 2021, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves, see Note 11.

b) Short term Insurance Provision - this provision 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 within one year. As at 31 March 2021, to our knowledge, there are no material unfunded risks.

c) A provision of £3.187m for outstanding appeals against valuations for Business Rates currently being assessed by the Valuation Office Agency (£1.152m in 2019/20).

d) HRA Water Charges - 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. The ruling was upheld by the courts in 2020. The Council has started to refund current tenants from April 2021. Further work on potential cost of refunds was undertaken including the cost of both current and former tenants. An additional provision of £1.022m is required.

e) Keir Escalation- Provision for Keir highway claim of £1.500m.

f) London Pool Gain - Provision of £0.255m made to potentially repay the "on account" gain distributed by the Pool in 2020/21. The actual gain (or loss) of the Business Rates pool will be calculated later in the year, once the final position of all Council's in London is known.

g) Other provisions - There is a provision of £0.290m made for Legal costs.

Note 22 Cash Flows from Operating Activities

2019/20		2020/21
£'000		**£'000**
(628)	Interest received	(200)
10,999	Interest paid	11,049
10,371	**Total**	**10,849**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(29,752)	Depreciation	(32,570)
7,584	Impairment and revaluations	(13,112)
(1,704)	Amortisation	(2,051)
(320)	Increase / (decrease) in impairment for bad debts	(6,270)
4,910	(Increase) / decrease in creditors	(35,781)
(7,912)	(Increase) / decrease in debtors	57,659
-	(Increase) / decrease in inventories	-
14,453	Movement in Pension Liability	(9,505)
(9,990)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,870)
	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	
311	Provisions	(5,289)
519	Movement in the value of investment properties	(5,056)
(614)	Movement in value of carrying value of loans	21
(22,547)	**Total non-cash adjustments**	**(55,824)**
14,063	Capital Grants credited to surplus or deficit on the provision of services	7,783
6,886	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,091
20,949	**Total adjustments for investing or financing activities**	**9,874**

Note 23 Cash Flows from Investing Activities

2019/20		2020/21
£'000		**£'000**
33,018	Purchase of property, plant and equipment, investment property and intangible assets	32,631
352,433	Purchase of short term and long term investments	597,441
690	Other payments for investing activities	-
(6,886)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,091)
(374,105)	Proceeds from short and long term investments	(573,796)
(26,151)	Other receipts from investing activities	(7,783)
(21,001)	**Total cash inflow/(outflow) from investing activities**	**46,402**

Note 24 Cash Flows from Financing Activities

2019/20		2020/21
£'000		**£'000**
(10,000)	Cash receipts of short and long term borrowing	(9,692)
1,500	Repayment of short term and long term borrowing	775
-	Other receipts from financing activities	-
(8,500)	**Total cash inflow/(outflow) from financing activities**	**(8,917)**

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.

2019/20		Remuneration Band	2020/21	
Schools Employees	**Non-Schools Employees**	**£**	**Schools Employees**	**Non-Schools Employees**
20	34	50,000 - 54,999	15	34
14	7	55,000 - 59,999	6	24
10	13	60,000 - 64,999	9	13
6	7	65,000 - 69,999	7	5
2	4	70,000 - 74,999	5	4
4	2	75,000 - 79,999	1	8
6	1	80,000 - 84,999	3	2
1	2	85,000 - 89,999	-	-
1	5	90,000 - 94,999	-	-
-	2	95,000 - 99,999	-	1
1	2	100,000 - 104,999	2	2
-	-	105,000 - 109,999	-	3
-	1	110,000 - 115,000	-	-
-	1	120,000 - 125,999	-	1
-	1	125,000 - 129,999	-	
-	1	145,000 - 149,000	-	
52	**102**	**Total**	**48**	**97**

Note 25 Officers Remuneration and Exit Packages (continued)

2020/21	Note	Salary, fees and allowances	Compensation for loss of office	Employers pension contributions	Total
		£'000	£'000	£'000	£'000
Chief Executive - Ian Thomas		194	-	-	194
Executive Director Corporate and Communities	1	160	-	28	188
Joint Director Children's Services	2	72	-	18	90
Executive Director Place		151	-	27	178
General Counsel	3	113	-	20	133
Director of Public Health & Assistant Director Healthy and Safe Communities		121	-	21	142
Interim Director Adult Social Care and Health	4	113		20	133
Executive Director Adult Social Care and Health		64	-	11	75

Note 25 Officers Remuneration and Exit Packages (continued)

2019/20 Comparative figures	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)

1. A restructure of the senior leadership team took effect on 01 February 2020, following the deletion of the post of Director, Communities. The responsibilities of this post have been assumed within the other Director roles and post titles have been changed accordingly. With effect from 01 February 2020, Director Corporate and Commercial title has been changed to Executive Director of Corporate and Communities.With effect from 01 February 2020, Director of Growth title has been changed to Executive Director of Place. 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 and monitoring officer. With effect from 01 February 2020, the title Director of Adult Social Care has changed to Executive Director of Social Care and Health.

2. 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, with costs shared 50% each

3. The post holder is Chief Legal Officer for the Council and monitoring officer. There were three Assistant Director Governance and Law during the financial year 2019-20. The current director 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.

4. The Interim Director of Adult Social Care was part of the senior leadership team after the former Executive Director of Adult Social Care and Health left on 06 March 2020 and prior to a new postholder joining in October 2021.

Note 25 Officers Remuneration & Exit Packages (continued)

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	
£	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
0 - 20,000	50	4	2	1	52	5	456	30
20.001 - 40,000	18	1	1	1	19	2	524	67
40,001 - 60,000	8	2	2	-	10	2	529	83
60,001 - 80,000	2	-	-	-	2	-	130	-
80,001 - 100,000	1	1	-	-	1	1	82	90
100,001 - 150,000	3	1	-	-	3	1	370	107
150,001 - 200,000	1	-	-	-	1	-	152	-
Total	83	9	5	2	88	11	2,243	377

The total cost of £0.377m (£2.243m in 2019/20) 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 £0.120m (£0.423m in 2019/20) 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

2019/20		2020/21
£'000		**£'000**
713	Allowances	743
-	Expenses	-
713		**743**

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. Legislation was revised during 2020/21 in the Schools and Early Year Finance (England) Regulations 2020, to require that a DSG deficit can not be charged to General Fund resources without the express permission of the Secretary of State. As a result of this, the DSG deficit was moved from usable reserves to unusable reserves (see Notes 11 and 12 for further information). 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 2020/21 are as follows:

	Central Expenditure	**Individual Schools Budget (ISB)**	**Total**
	£'000	**£'000**	**£'000**
Final DSG for 2020/21 before Academy recoupment	-	-	(148,043)
Less Academy figure recouped for 2020/21	-	-	63,741
Total DSG after Academy recoupment for 2020/21	-	-	(84,302)
Brought forward from 2019/20	-	-	19,252
Agreed initial budgeted distribution in 2020/21	(1,115)	(63,935)	(65,050)
In-year adjustments	(12,000)	(229)	(12,229)
Final budget distribution for 2020/21	(13,115)	(64,164)	(77,279)
Less actual central expenditure	26,572	-	26,572
Less actual ISB deployed to schools	-	63,109	63,109
Carry forward to 202020/21 (deficit)	13,457	(1,055)	12,402

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

2020/21 is the sixth 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 Executive Director,Adult Social Care and Health is the Pooled Manager and is accountable directly to the Chief Executive.

2020/21 was the fourth 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 £1.520m.
- 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 £3.573m for the following service areas:

- Social Care Services £3.083m.
- Care Act £0.490m.

CCG also provided funding for the provision of 3 Schemes that were provided by either the NHS or the Voluntary Sector. These amounted to £8.167m on the following areas:

- Integrated Community Service £6.550m.
- Extension to rapid response service £1.617m

31 March 2020		31 March 2021
£'000		**£'000**
	Funding:	
3,125	Royal Borough of Kingston	3,306
11,184	Kingston CCG	11,741
14,309	Total Funding	15,047
	Expenditure:	
2,729	Royal Borough of Kingston	2,847
11,184	Kingston CCG	11,741
13,913	Total Expenditure	14,588
(396)	Net (Surplus)/Deficit on the pooled budget during the year	(459)
(396)	Council share of net (surplus)/deficit arising on the pooled budget*	(459)

* 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 2020/21 is shown in Note 26. During 2020/21 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 (£0.712m 2019/20). 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	2019/20	2020/21
		£'000	£'000
Kingston Carers Network	Grants and special project payments from RBK	235	240
Coombe Hill Investments	Payments from RBK	115	163
Aumkara Investments Ltd	Payments from RBK	14	39
Groundwork ltd	Grants to voluntary organisations	87	90
Kaleidoscope Ltd	Payments from both RBK and Kaleidoscope	275	-
Kingston Theatre LLP	Grants from RBK	283	418

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 47 electronic forms to be completed and all 47 specific declarations of interest forms from Members were received (30 in 2019/20).

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 £0.819m (£0.429m in 2019/20) to voluntary and other organisations.

Officers

The 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.

- **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 2020/21 includes consolidated Group Accounts which include the activities of the Council and its ownership share of the profit realised by AfC for 2020/21 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 2020/21 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%.

Cambridge Road (RBK) LLP

A 50:50 joint venture between RBK and Countryside Properties incorporated on 25 September 2020 to deliver approximately 2,170 new homes and neighbourhoods through an £800m regeneration of the Cambridge Road Estate.

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 2020/21.

2019/20		2020/21
£'000		**£'000**
85	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	102
39	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	43
124	**Total**	**145**

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 £0.055m for 2020/21 (£0.040m for 2019/20)

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 2020/21, the Council paid £2.358m to Teachers Pensions in respect of retirement benefits. The employer contributions percentage remained at 23.68% of pensionable pay. There were no contributions remaining payable at the year-end. The amount paid in 2019/20 was £2.035m, 23.68% 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 2020/21, the Council paid £0.030m in respect of NHS pensions retirement benefits, representing 20.6% of pensionable pay. The amount paid in 2019/20 was £0.030m which was 20.6% 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:

Local Government Pension Scheme (LGPS) deficit prepayment

During 2020/21 the Council took the decision to make a £6.868m pre-payment towards the LGPS pension deficit, which reduced the Council's pension fund "long term liabilities" section of the balance sheet. By making an early payment to the pension fund, revenue savings will be achieved by the council during the subsequent three year period reducing the deficit contribution amount required to be paid by the Council. The pension deficit amount will be charged to the General Fund Reserves over the three year period set out in the actuary's certificate. But aggregating the Pension Prepayment alongside the Pension Liability will cause the liability amount to not align to the Pension Reserve sum, which it would otherwise do. This imbalance is £4.537m at 31.3.2021, and will be £2.247m at 31.3.2022, reducing to nil on 31.3.2023.

Note 31 Defined Benefit Pension Scheme (continued)

2019/20 £000	Comprehensive Income and Expenditure Statement	2020/21 £000
	Service cost comprising:	
21,050	- Current service cost	18,740
1,499	- Past service cost	78
(388)	- Settlements	-
	Financing and Investment Income & Expenditure	
(12,195)	- Interest income on plan assets	(10,426)
18,147	- Interest cost on defined benefit obligation	15,229
-	- Effect of Business combination	-
28,113	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**23,621**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
60,119	- Return on plan assets (excluding the amount included in the net interest expense	123,215
(17,246)	- Actuarial (gains) and losses arising on changes in demographic assumptions	(9,666)
(55,249)	- Actuarial (gains) and losses arising on changes in financial assumptions	(154,389)
(37,195)	- Actuarial (gains)/losses arising from changes in membership assumptions	7,427
-	- Experience gain on defined benefit obligation	-
(21,458)	**Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(9,792)**
	Movement in Reserves Statement	
(28,113)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(23,621)
13,624	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	18,653

The re-measurement of the net defined liability in the Comprehensive Income and Expenditure Statement 2020/21 is a loss of £33.41m (2019/20 £49.57m loss).

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

2019/20		2020/21
£'000		**£'000**
454,596	Fair value of plan assets	586,283
(649,442)	Present value of funded liabilities	(819,773)
(13,876)	Present value of unfunded liabilities	(13,928)
(208,722)	**Net Liability arising from defined benefit obligation**	**(247,418)**

Reconciliation of Fair Value of scheme assets:

2019/20		2020/21
£'000		**£'000**
511,643	**Balance at 1 April**	**454,596**
12,195	Interest income	10,426
(538)	Effect of business combinations and settlements	-
(60,119)	Remeasurement gain/loss:	123,215
12,370	Contributions from employer	17,149
3,206	Contributions from employees into the scheme	3,541
(24,161)	Benefits Paid	(22,644)
454,596	**Balance at 31 March**	**586,283**

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-21	Quoted Prices in not Active Markets at 31-Mar-21	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Equity Security:				
- Consumer	21,475	-	21,475	4%
- Manufacturing	13,905	-	13,905	2%
- Energy & Utilities	8,090	-	8,090	1%
- Financial Institutions	18,107	-	18,107	3%
- Health and Care	15,172	-	15,172	3%
- Information Technology	28,921	-	28,921	5%
- Other	21,455	-	21,455	4%
Debt Securities	-	-	-	0%
Private Equity	-	-	-	0%
Real Estate				
- UK Property	36,607	-	36,607	6%
- Overseas Property	-	-	-	0%

Note 31 Defined Benefit Pension Scheme (continued)

Asset Category	Quoted Prices in Active Markets at 31-Mar-21	Quoted Prices in not Active Markets at 31-Mar-21	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Investment Funds and Unit Trusts:				
- Equities	252,489	-	252,489	43%
- Bonds	63,929	-	63,929	11%
- Hedge Funds	-	-	-	0%
- Commodities	-	-	-	0%
- Infrastructure	-	-	-	0%
- Other	93,634	-	93,634	16%
Derivatives:				
- Inflation	-	-	-	0%
- Interest rates	-	-	-	0%
- Foreign Exchange	-	-	-	0%
- Other	-	-	-	0%
Cash and Cash equivalents				
- All	12,499	-	12,499	2%
Total	586,285	-	586,285	100%

Note 31 Defined Benefit Pension Scheme (continued)

Reconciliation of fair value of scheme liabilities:

2019/20		2020/21
£'000		**£'000**
755,447	**Balance at 1 April**	**663,318**
21,050	Current Service Cost	18,740
18,147	Interest Cost	15,229
(926)	Effect of business combinations and settlements	-
3,206	Contributions by Members	3,541
(17,246)	Actuarial (gains)/losses arising from changes in demographic assumptions	9,666
(55,249)	Actuarial (gains)/losses arising from changes in financial assumptions	154,389
(37,195)	Actuarial (gains)/losses arising from changes in membership assumptions	(7,427)
1,499	Past Service Cost	78
(25,415)	Benefits Paid	(23,833)
663,318	**Balance at 31 March**	**833,701**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £833.7m 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 2021. The principal assumptions used by the actuary have been:

2019/20		**2020/21**
%		**%**
1.9	Rate of Inflation	2.9
2.3	Rate of Increase in Salaries	3.3
1.9	Rate of Increase in Pensions	2.9
2.3	Rate of Return on Assets	2.0
2.3	Rate for Discounting Scheme Liabilities	2.0
50% pre-2008 service	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	
75% post-2008 service		
Years		
21.7	Longevity at 65 for Current Pensioners - Men	21.9
23.9	Longevity at 65 for Current Pensioners - Women	24.3
22.6	Longevity at 65 for Future Pensioners - Men	23.0
25.5	Longevity at 65 for Future Pensioners - Women	26.2

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	9%	74,607
0.5% increase in the Salary Increase Rate	0%	4,002
0.5% increase in the Pension Increase Rate	8%	69,291

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 2021 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:

2019/20		**2020/21**
%		**%**
65	Equity investments	65
5	Property	6
8	Bonds	11
21	Other Investment Funds and Unit Trusts	16
1	Cash	2
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 (the most recent triennial valuation). 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 has made the judgement that this situation is not probable.

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 2020		31 Mar 2021
£'000		**£'000**
	Finance lease debtor (net present value of minimum lease payments)	
25	- current	27
7,395	- non-current	7,369
18,883	Unearned finance income	18,778
126	Unguaranteed residual value of property	126
26,429	**Gross investment in the lease**	**26,301**

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

31 Mar 2020		31 Mar 2021
£'000		**£'000**
26,429	Gross investment in the lease	26,301
(126)	less unguaranteed residual value of property	(126)
26,303		**26,174**

Note 34 Leases (continued)

Operating Leases

31 Mar 2020		31 Mar 2021
£'000		**£'000**
(3,302)	Not later than one year	(1,838)
(11,670)	Later than one year and not later than five years	(6,911)
(9,523)	Later than five years	(2,716)
(24,495)	**Gross investment in the lease**	**(11,464)**

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

THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Housing Revenue Account (HRA) Income and Expenditure Statement

2019/20	HRA Income and Expenditure Statement	Notes	2020/21
£'000			£'000
	Expenditure		
4,934	Repairs and maintenance		5,227
12,322	Supervision and management		12,533
75	Rents, rates, taxes and other charges		48
691	Special Services		712
9,151	Depreciation and impairment of non-current assets		9,946
(6,641)	HRA Property Revaluations		(19,517)
15	Debt management costs		-
432	Movement in the allowance for bad debts		3
1,355	Other revenue expenditure funded from capital under statute		980
22,334	**Total Expenditure**		**9,932**
	Income		
(27,036)	Gross rent from Council dwellings		(26,246)
(523)	Gross non dwellings rent		(413)
(2,505)	Charges for services and facilities		(1,179)
(663)	Contributions towards expenditure		(569)
(1,206)	Leaseholders charges for services and facilities		(2,438)
(31,933)	**Total Income**		**(30,845)**
(9,599)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(20,913)
81	Add HRA services share of Corporate and Democratic Core		189
(9,518)	**Net Cost of HRA Services**		**(20,724)**

2019/20	HRA Income and Expenditure Statement	Notes	2020/21
£'000			£'000
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(2,422)	(Gain) or loss on sale of HRA non-current assets		(1,204)
381	Net interest on the net defined benefit liability		305
4,587	Interest payable and similar charges		4,618
(180)	Interest and investment income		(126)
(65)	Income, expenditure and changes in the fair values of investment properties		4,931
906	Other expenditure/ income		(2,180)
(6,311)	**(Surplus)/Deficit for the Year on HRA Services**		**(14,380)**

Statement of Movement on the Housing Revenue Account Balance

2019/20	Statement of Movement on the Housing Revenue Account Balance	2020/21
£'000		**£'000**
(7,484)	**Balance on the HRA at the end of the previous year**	**(7,203)**
(6,311)	Surplus/(Deficit) on the HRA Income and Expenditure Statement (MIRS)	(14,380)
6,592	Adjustments between accounting basis and funding basis under statute (see Note 10 - Notes to the Financial Statements)	17,086
281	**Net increase before transfers to or from reserve**	**2,706**
-	Transfers (to)/from reserves	(350)
281	**(Increase) or decrease in year on the HRA (MIRS)**	**2,356**
(7,203)	**Balance on the HRA at the end of the current year**	**(4,847)**

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 2019/20		Total 2020/21
	Flats	
890	- low rise (up to 2 storeys)	885
1,994	- medium rise (3-5 storeys)	1,979
419	- high rise (6+ storeys)	415
3,303	**Total Flats**	**3,279**
1,230	Houses and Bungalows	1,235
31	Equivalent number of dwellings for multi-occupied premises (hostels)	32
20	Shared Ownership	20
4,584	**Total Stock**	**4,566**

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 2020		At 31 March 2021
£'000		**£'000**
	Operational Assets:	
381,044	Council Dwellings	398,992
11,615	Other Land and Buildings	11,639
846	Investment Properties	711
393,505	**Total**	**411,343**
1,482,533	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.

2019/20		2020/21
£'000		**£'000**
(1,026)	Balance brought forward	(4,423)
	Transactions with HRA Income & Expenditure Statement	
(9,151)	Contribution to Major Repairs Reserve	(9,946)
	Adjustments between accounting and funding basis	
5,754	Capital expenditure charged against HRA balances	4,805
(4,423)	**Balance carried forward at 31 March**	**(9,564)**

HRA 4. Capital Expenditure Financing

Capital expenditure amounted to £8.680m (£8.975m in 2019/20). The following summary shows how this was funded:

2019/20		2020/21
£'000		**£'000**
8,975	**HRA Capital Expenditure**	
	Financed by:	
-	Borrowing	(151)
(328)	Government Grants	(2,180)
(2,201)	Capital Receipts Reserve	(995)
(692)	Revenue Contributions	(549)
(5,754)	Major Repairs Reserve	(4,805)
(8,975)	**Total financing**	**(8,680)**

HRA 5. Capital Receipts

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

2019/20		2020/21
£'000		**£'000**
(10,047)	Balance brought forward	(9,745)
	Transactions with Comprehensive Income & Expenditure Statement Adjustments between Accounting Basis and Funding Basis	
(3,546)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,049)
-	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-
907	Refund of Retained one for one replacement receipts & interest	-
2,201	Use of capital receipts to finance capital expenditure	995
51	Contribution towards administrative cost of non-current asset disposals	20
690	Financing of payment to Government Capital Receipts Pool	690
(9,744)	**Total**	**(10,089)**

HRA 6. Depreciation

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

2019/20	Depreciation	2020/21
£'000		**£'000**
8,659	Council Dwellings	9,531
430	Other Land and Buildings	394
47	Vehicles, plant, furniture and equipment	6
9,136	**Total**	**9,931**

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).

2019/20	Tenant Rent and Service Charge Arrears	2020/21
£'000		**£'000**
2,880	Gross rent arrears	4,517
(1,914)	Provision for bad & doubtful debts	(2,051)
966	**Total**	**2,466**

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

2019/20		2020/21
£'000		**£'000**
	Transactions with Comprehensive Income & Expenditure Statement Adjustments between Accounting Basis and Funding Basis	
(1,729)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 9)	(1,188)
795	Employers' pensions contributions and direct payments to pensioners payable in the year	1,108
(934)		**(80)**
	Other income & expenditure	
381	Pensions interest cost and expected return on pension assets	(305)
(553)		**(385)**

HRA 9. Provisions

A High Court ruling determined that the discounts granted to the Council to act as an administrator under an agreement with the water companies must be paid to tenants. A short term provision of £1.772m is held to cover the liability that arises as tenants are repaid, which was funded from within the Housing Revenue Account.

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.

THE ROYAL BOROUGH OF
KINGSTON
UPON THAMES

Collection Fund Income and Expenditure Account 2020/21

		2019/20		Note			2020/21
Business Rates	**Council Tax**	**Total**			**Business Rates**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
			Income				
-	(118,342)	(118,342)	Council Tax collectable		-	(123,894)	(123,894)
(85,394)	-	(85,394)	Business Rates collectable		(35,298)	-	(35,298)
(2,639)	-	(2,639)	Business Rates Supplement collectable		(961)	-	(961)
(88,033)	**(118,342)**	**(206,375)**			**(36,259)**	**(123,894)**	**(160,153)**
			Expenditure				
			Precepts & Demands	CF3&4			
21,640	-	21,640	Central Government		28,437	-	28,437
23,372	20,130	43,502	Greater London Authority		31,884	21,204	53,088
41,550	97,424	138,974	Royal Borough of Kingston		25,852	103,001	128,853
239	-	239	Costs of Collection		234	-	234
86,801	**117,554**	**204,355**			**86,407**	**124,205**	**210,612**
			Business Rate Supplement				
2,633	-	2,633	Payment to levying authority		955	-	955
6	-	6	Administrative costs		6	-	6
2,639	**-**	**2,639**			**961**	**-**	**961**

Collection Fund Income and Expenditure Account 2020/21 (continued)

		2019/20		Note			2020/21
Business Rates	**Council Tax**	**Total**			**Business Rates**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
			Impairment of Debts/Appeals				
194	32	226	Write-offs of uncollectible amounts		10	17	27
2,919	-	2,919	Appeals provision		13,286	-	13,286
(2,910)	-	(2,910)	Refunds to successful Appeals		(5,061)	-	(5,061)
(149)	-	(149)	Transitional Relief		695	-	695
-	558	558	Allowance for impairment		5,274	2,479	7,753
54	**590**	**644**			**14,204**	**2,496**	**16,700**
			Contributions towards previous year's estimated Collection Fund Surplus				
1,034	-	1,034	RBK		(1,604)	157	(1,447)
1,576	-	1,576	GLA		(902)	32	(870)
1,630	-	1,630	Government		(567)	-	(567)
4,240	-	4,240			(3,073)	189	(2,884)
5,701	**(198)**	**5,503**	**Movement on Fund Balance**	**CF5**	**62,240**	**2,996**	**65,236**

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 2020/21 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	611	266	6/9	177
£40,001 - £52,000	B	3,445	1,888	7/9	1,468
£52,001 - £68,000	C	15,379	11,168	8/9	9,927
£68,001 - £88,000	D	20,364	16,723	9/9	16,723
£88,001 - £120,000	E	14,861	13,299	11/9	16,254
£120,001 - £160,000	F	8,373	7,630	13/9	11,021
£160,001 - £320,000	G	4,177	3,986	15/9	6,643
£320,001 or more	H	1,022	984	18/9	1,968
		68,232	55,944		64,181
Estimated collection rate for 2020/21	99.20%				63,668
Contributions in lieu (MoD properties)					186
Tax Base for 2020/21					**63,854**

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 2020/21 and are shown below, along with the 2019/20 rates for comparison;

2019/20		2020/21
%		**%**
48	Royal Borough of Kingston	30
27	Greater London Authority	37
25	Central Government	33
100	Total	100

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

2019/20		2020/21
£'000		**£'000**
210,040	Total non-domestic rateable value at year end	204,263

pence per £		pence per £
50.4	Standard non-domestic multiplier	51.2
49.1	Small business non-domestic multiplier	49.9

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 2020/21 has been calculated at £10.624m (£2.400m in 2019/20) with RBK's share totalling £3.187m (£1.152m in 2019/20).

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 2019/20	NNDR 2019/20	Total 2019/20		CTax 2020/21	NNDR 2020/21	Total 2020/21
£'000	£'000	£'000		£'000	£'000	£'000
(75)	(3,432)	(3,507)	Balance brought forward	(273)	2,269	1,996
(198)	5,701	5,503	Movement in year	2,996	62,240	65,236
(273)	2,269	1,996	**Balance carried forward**	2,723	64,509	67,232

The deficit on the Collection Fund Balance relates to:

RBK	- £21.466m: Council tax – £2.258m; NNDR – £19.208m
Greater London Authority	- £24.414m: Council tax – £0.465m; NNDR – £23.949m
Central Government	- £21.352m: Council tax - (£0.000m); NNDR - £21.352m

8. Group Accounts

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021

Gross Expenditure 2019/20 (Restated)	Gross Income 2019/20 (Restated)	Net Expenditure 2019/20 (Restated)		Notes	Gross Expenditure 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
80,529	(25,684)	54,845	Adult Social Care		86,508	(38,849)	47,659
1,559	(182)	1,377	Chief Executive's		1,319	(180)	1,139
180,434	(128,465)	51,968	Corporate and Communities		160,843	(101,857)	58,986
77,230	(27,979)	49,251	Learning and Children's Services		115,520	(30,742)	84,778
61,156	(67,751)	(6,596)	Childrens Services - Schools		61,560	(83,557)	(21,997)
9,113	(3,765)	5,348	Place		32,683	(17,562)	15,121
22,767	(32,285)	(9,518)	Housing Revenue Account		7,260	(27,984)	(20,724)
432,788	**(286,111)**	**146,675**	**Cost of Services**		**465,693**	**(300,731)**	**164,962**

During the 2021/22 financial year a management restructure was implemented which changed the services included within most Directorates. The gross expenditure and income for 2019/20 reflect the previous structure in place in that year.

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021 (continued)

Gross Expenditure 2019/20 (Restated)	Gross Income 2019/20 (Restated)	Net Expenditure 2019/20 (Restated)		Notes	Gross Expenditure 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
£000	£000	£000			£000	£000	£000
4,349	-	4,349	Other operating expenditure	6	1,783	1,246	3,029
19,624	(9,104)	10,520	Financing and investment income and expenditure	7	22,291	(8,515)	13,776
-	(149,473)	(149,473)	Taxation and non-specific grant income	8		(160,645)	(160,645)
456,761	**(444,688)**	**12,070**	**(Surplus) or deficit on the provision of services**		**489,767**	**(468,645)**	**21,122**
		4,196	(Surplus) or deficit on Achieving for Children (AfC) based on equity share				2,007
		16,266	**Group (surplus) or deficit**				**23,129**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(12,413)	Surplus or deficit on revaluation of non-current assets	13a			(170,055)
		(49,571)	Actuarial gains or losses on pension assets and liabilities	31			33,413
		(4,900)	AfC other comprehensive income and expenditure				14,077
		(66,884)					**(122,565)**
			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				-
		(66,884)	**Other comprehensive income and expenditure**				**(122,565)**
		(50,618)	**Total comprehensive income and expenditure (surplus)/deficit**				**(99,436)**

Group Movement in Reserves Statement

2020/21	Memorandum General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Usable 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	£'000	£'000
Balance at 31 March 2020	(16,131)	(14,193)	(30,324)	(7,203)	(16,839)	(4,424)	(16,102)	**(74,892)**	**(437,220)**	**(512,112)**	21,137	**(490,975)**
Movement during 2020/21:												
Total Comprehensive Expenditure and Income	35,502	-	35,502	(14,380)				**21,122**	(136,642)	**(115,520)**	**16,084**	**(99,436)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(73,353)	-	(73,353)	17,086	(7,198)	(5,141)	409	**(68,197)**	**68,197**	**-**		**-**
Adjustment to Dedicated Schools Grant deficit	-	(12,402)	(12,402)					**(12,402)**	**12,402**	**-**	**-**	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(37,851)**	**(12,402)**	**(50,253)**	**2,706**	**(7,198)**	**(5,141)**	**409**	**(59,477)**	**(56,043)**	**(115,520)**	16,084	**(99,436)**
Transfers to / (from) Earmarked Reserves	34,351	(34,001)	350	(350)				**-**	**-**	**-**		**-**
Increase / (Decrease) in Year	(3,500)	(46,403)	**(49,903)**	**2,356**	**(7,198)**	**(5,141)**	**409**	**(59,477)**	**(56,043)**	**(115,520)**	**16,084**	**(99,436)**
Balance at 31 March 2021	**(19,631)**	**(60,596)**	**(80,227)**	**(4,847)**	**(24,037)**	**(9,565)**	**(15,693)**	**(134,369)**	**(493,263)**	**(627,632)**	**37,221**	**(590,411)**

Group Movement in Reserves Statement (continued)

2019/20 Comparative (Restated)	Memorandum General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Usable 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	£'000	£'000
Balance at 31 March 2019	(12,632)	(16,187)	(28,819)	(7,484)	(13,651)	(1,026)	(16,555)	**(67,535)**	**(394,664)**	**(462,198)**	21,841	**(440,357)**
Movement during 2019/20:												
Total Comprehensive Expenditure and Income	18,382	-	18,382	(6,311)	-	-	-	**12,071**	**(61,984)**	**(49,913)**	(704)	**(50,617)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(19,887)	-	(19,887)	6,592	(3,188)	(3,398)	452	**(19,429)**	**19,429**	**-**	-	**-**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(1,505)**	**-**	**(1,505)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(42,555)**	**(49,913)**	(704)	**(50,617)**
Transfers to / (from) Earmarked Reserves	(1,994)	1,994	-	-	-	-	-	**-**	**-**	**-**		**-**
Increase / (Decrease) in Year	(3,500)	1,994	**(1,505)**	**281**	**(3,188)**	**(3,398)**	**452**	**(7,359)**	**(42,555)**	**(49,913)**	**(704)**	**(50,617)**
Balance at 31 March 2020	**(16,131)**	**(14,193)**	**(30,324)**	**(7,203)**	**(16,839)**	**(4,424)**	**(16,103)**	**(74,894)**	**(437,219)**	**(512,111)**	**21,137**	**(490,974)**

Group Balance Sheet

31 March 2020 (Restated)		Notes	31 March 2021
£'000			**£'000**
	Long Term Assets		
889,334	Property, plant and equipment	13a	1,040,626
1,209	Heritage assets	13b	1,209
85,812	Investment property	14	80,986
6,875	Intangible assets	13c	6,773
5,165	Long term investments	17	5,225
7,410	Long term debtors	17	7,866
995,805	**Total Long Term Assets**		**1,142,685**
	Current assets		
337	Asset held for sale	15	-
25,884	Short term investments	17	49,469
41	Inventories		41
38,616	Short term debtors	18	85,012
23,681	Cash and cash equivalents	20	11,024
88,559	Total Current Assets		**145,546**

Group Balance Sheet (continued)

31 March 2020 (Restated)		Notes	31 March 2021
£'000			**£'000**
	Current Liabilities		
(1,646)	Short term borrowing	17	(13,275)
(50,345)	Short term creditors	19	(84,726)
(2,876)	Provisions	21	(7,974)
(118)	Grants receipts in advance		(4,514)
(54,985)	**Total Current Liabilities**		**(110,489)**
	Long Term Liabilities		
(2,996)	Long term creditors		-
(304,445)	Long term borrowing	17	(301,712)
(209,037)	Other long term liabilities		(247,418)
(789)	Provisions	21	(980)
(21,137)	RBK share of AfC liability		(37,221)
(538,404)	Total Long Term Liabilities		**(587,331)**
490,975	Net Assets		**590,411**
	Reserves		
(74,893)	Usable reserves		(134,370)
(437,220)	Unusable reserves	12	(493,262)
21,137	RBK share of AfC reserves		37,221
(490,975)	Total Reserves		**(590,411)**

Group Cash Flow Statement

2019/20 (Restated)			2020/21
£000		Notes	£000
16,266	Net (surplus) or deficit on the provision of services		23,129
(26,741)	Adjustment to the net surplus or deficit on the provision of services for non-cash movements		(57,831)
20,949	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities		9,874
10,474	Net cash flows from operating activities		(24,828)
(21,003)	**Net cash flows from investing activities**	23	46,402
(8,500)	**Net cash flows from financing activities**	24	(8,917)
(19,030)	**Net increase/(decrease) in cash and cash equivalents**		**12,657**
	Represented by:		
4,651	Cash and cash equivalents at the beginning of the reporting period	20	23,681
19,030	Net increase/(decrease) in cash and cash equivalents	20	(12,657)
23,681	**Cash and cash equivalents at the end of the reporting period**		**11,024**

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 £22k and £2k for other audit services. This reflects a 40% share of the Council's share of fees disclosed in AfC accounts (audit fees £55k and £5k 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.

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 continue 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.

G3. Major sources of estimation uncertainty (continued)

Assets Valuation uncertainty and general assumptions:

Refer to note 4 and 13a in the Council's accounts 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 2021	Approx % increase to employer liability	Approx monetary increase
	%	£'000
0.5% decrease in real discount rate	14	28,403
0.5% increase in the salary rate	1	2,671
0.5% increase in the pension increase rate	12	25,184

G4. Group cash flows from operating activities

2019/20 (Restated)		2020/21
£’000		**£’000**
(628)	Interest received	(200)
10,999	Interest paid	11,049
10,371	**Total**	**10,849**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(29,752)	Depreciation	(32,570)
7,584	Impairment and downward revaluations	(13,112)
(1,704)	Amortisation	(2,051)
(320)	Increase / (decrease) in impairment for bad debts	(6,270)
4,910	Increase / (decrease) in creditors	(35,781)
(7,912)	(Increase) / decrease in debtors	57,659
-	(Increase) / decrease in inventories	-
14,453	Movement in Pension Liability	(9,505)
(9,990)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,870)
	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	
311	Provisions	(5,289)
519	Movement in the value of investment properties	(5,056)
(613)	Movement in value of carrying value of loans	21
(4,196)	Surplus or deficit on AfC based on Equity share	(2,007)
(26,741)	**Total non-cash adjustments**	**(57,831)**
14,063	Capital Grants credited to surplus or deficit on the provision of services	7,783
6,886	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,091
20,949	**Total adjustments for investing or financing activities**	**(47,957)**

G5. Related Party Transactions

In addition to being a part owner of Achieving for Children, the Council undertakes transactions with the company in the provision of services. The table below shows the value of payments receipts and the outstanding loan as at 31 March 2021

	2020/21
	£000
Payments	75,135
Receipts	(4,173)
Revolving Credit Facility	12,350

The Council provides a revolving credit facility to the Company. This is shown on the Council's balance sheet as a Short Term Investment, and at 31 March 2021 this stood at £12,350,000

G6. Prior Year Adjustment

During the preparation of the 2020/21 financial statements, the council discovered that it had misstated its share of Achieving for Children's liabilities and reserves in previous years. The cumulative impact of this was £4,563,000. To correct this, the council has restated the 2019/20 comparators for its main Group statements. These are chown in the tables below.

CIES	2019/20	
	Original	Revised
	Net Expenditure	Net Expenditure
	£'000	£'000
(Surplus) or deficit on Achieving for Children (AfC) based on equity share	(840)	4,196
AfC other comprehensive income and expenditure		(4,900)
Total comprehensive income and expenditure (surplus)/deficit	(50,754)	(50,618)

MiRS	2019/20	
	Original	Revised
	Council's Share of AfC Reserves	Council's Share of AfC Reserves
	£'000	£'000
Balance at 31 March 2019	24,859	21,841
Total Comprehensive Expenditure and Income	840	(704)

Balance Sheet	31 March 2020	
	Original	Revised
	£'000	£'000
RBK share of AfC liability	(25,699)	(21,136)
RBK share of AfC reserves	25,699	21,136

Cashflow Statement	31 March 2020	
	Original	Revised
	£'000	£'000
Net (surplus) or deficit on the provision of services	10,617	18,590
Adjustment to the net surplus or deficit on the provision of services for non-cash movements	(21,092)	(53,292)

9. Pension Fund Accounts

These show the income and expenditure of the Royal Borough of Kingston upon Thames 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 2021

2019/20			2020/21
£'000		**Note**	**£'000**
	Dealings with members, employers and others directly involved in the Fund		
(34,977)	Contributions	7	(40,748)
(7,648)	Transfers in from other pensions funds	8	(3,360)
(42,625)			**(44,108)**
31,869	Benefits	9	31,697
6,512	Payments to and on account of leavers:	10	2,897
38,381			**34,594**
(4,244)	**Net (additions) / withdrawals from dealings with members**		**(9,514)**
8,841	Management expenses	11	9,317
4,597	**Net (additions)/withdrawals including fund management expenses**		**(197)**
	Returns on Investments		
(9,501)	Investment income	12	(9,426)
48	Taxes on income	13	91
25,739	(Profit) loss on disposal of investments and changes in the market value of investments	16b	(224,641)
16,286	**Net Return on Investments**		**(233,977)**
20,883	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		(234,174)
(834,461)	**Opening Net Assets of the Scheme**		**(813,578)**
(813,578)	**Closing Net Assets of the Scheme**		**(1,047,752)**

Net Assets Statement for the year as at 31 March 2021

2019/20		Note	2020/21
£'000			**£'000**
150	Long term assets		150
799,651	Investment assets	14	1,027,489
799,801	**Total Net Investments**		**1,027,639**
15,707	Current assets	20	25,818
(1,930)	Current liabilities	21	(5,705)paris
813,578	**Net Assets of the Fund available to fund benefits at the end of the reporting period**		**1,047,752**

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 2013 (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 2021 were as follows:

PF Note 1 - Description of the Fund (continued)

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

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2019/20		2020/21
No.		**No.**
29	Number of Employers with active members	29
	Active Members	
2,657	Royal Borough of Kingston upon Thames	2,598
1,973	Scheduled bodies	2,094
708	Admitted bodies	742
5,338		5,434
	Deferred Members	
3,545	Royal Borough of Kingston upon Thames	3,594
1,748	Scheduled bodies	1,784
266	Admitted bodies	301
5,559		5,679
	Pensioners (including Dependents)	
3,675	Royal Borough of Kingston upon Thames	3,737
964	Scheduled bodies	973
134	Admitted bodies	157
4,773		4,867
15,670	**Total**	**15,980**

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 2021. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

In 2020/21, employer contribution rates ranged from 10.4% to 36.7% of pensionable pay. Employer contribution rates payable from 1 April 2020 were set by the triennial valuation as at 31 March 2019, the results of which were published on 31 March 2020. 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 2020/21 financial year and its position as at 31 March 2021 .The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' (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 as the pension fund is a statutory backed scheme and also backed by an administering authority with tax raising powers.

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 2021 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 judgments 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
Actuarial 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 £150m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £60m and a 0.5% increase in the salary increase rate would increase the liability by approximately £9m.
McCloud	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 an appeal to the Supreme Court in June 2019. A full government response, incorporating the issues raised in earlier consultations, will be published in 2021 and changes to regulations are intended to come into force on 1 April 2023.	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%. 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 were therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the property valuations in both 19/20 and 20/21 years. The property funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so will be treated as level 3.	The potential impact of this uncertainty cannot be measured accurately. Total property funds held by the Pension Fund which have this uncertainty attached are valued at £65.3m, and a 10% change in the valuation of property would therefore equate to a difference of £6.5m in Fund value.

PF Note 6 - Events after the reporting period end

There are no material adjusting or non-adjusting events after the reporting period end.

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:

2019/20		2020/21
£'000		**£'000**
(7,794)	Employees' contributions	(8,394)
	Employers' contributions	
(22,265)	Normal Contributions	(24,336)
(4,918)	Deficit Recovery Contributions	(8,019)
(34,977)		**(40,748)**

Authority:

2019/20		2020/21
£'000		**£'000**
(16,446)	Royal Borough of Kingston Upon Thames	(20,944)
(14,146)	Scheduled bodies	(14,488)
(4,385)	Admitted bodies	(5,317)
(34,977)		**(40,748)**

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:

2019/20		2020/21
£'000		**£'000**
(6,292)	Individual transfers	(3,263)
(1,356)	Group transfers	(97)
(7,648)		**(3,360)**

PF Note 9 - Benefits payable

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

Category:

2019/20		2020/21
£'000		**£'000**
26,595	Pensions	27,078
4,297	Commutation and Lump sum retirement benefits	3,822
977	Lump sum death benefits	797
31,869		**31,697**

Authority:

2019/20		2020/21
£'000		**£'000**
22,853	Royal Borough of Kingston Upon Thames	21,999
7,937	Scheduled bodies	8,088
1,079	Admitted bodies	1,610
31,869		**31,697**

PF Note 10 - Payments to and on account of leavers

2019/20		2020/21
£'000		**£'000**
371	Refunds to members leaving service	112
1,305	Group transfers	-
4,836	Individual transfers	2,785
6,512		**2,897**

PF Note 11 - Management expenses

2019/20		2020/21
£'000		**£'000**
605	Administration Expenses	857
7,834	Investment Management Expenses	8,196
402	Oversight and Governance	263
8,841		**9,317**

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.

2019/20		2020/21
£'000		**£'000**
4,090	Management Fees	4,830
-	Performance Fees	68
47	Custody Fees	59
3,697	Transaction Costs	3,240
7,834		**8,196**

PF Note 11b - External audit costs

2019/20		2020/21
£'000		**£'000**
29	External Audit Costs	33
29		**33**

PF Note 12 - Investment income

2019/20		2020/21
£'000		**£'000**
(4,474)	Equity Dividends	(3,755)
	Pooled Investments:	
(822)	- Fixed Income	(596)
(1,054)	- Property	(1,082)
(3,064)	- Multi-Asset	(2,835)
(74)	- Credit	(1,170)
(12)	Interest on Cash Deposits	12
(1)	Other	-
(9,501)		**(9,426)**

PF Note 13 - Taxes on income

2019/20		2020/21
£'000		**£'000**
48	Withholding tax - equities	91
48		**91**

PF Note 14 - Investments

2019/20	Investment Assets	2020/21
£'000		**£'000**
176,133	Equities	225,851
	Pooled Investment Vehicles	
384,503	Equities	510,727
100,893	Fixed Income - Public Sector	73,467
37,947	Fixed Income - Corporate	84,426
43,465	Property	69,037
27,678	Credit	34,668
3,161	Other (Infrastructure)*	7,530
3,036	Other (Hedge Funds)*	2,845
16,771	Other*	13,684
	Other Investment Balances	
5,327	Cash deposits	4,633
824	Accrued income and recoverable taxes	814
(86)	Amount payable for purchases of investments	(192)
799,651	**Total Net Investment Assets**	**1,027,489**

*diversified growth funds, or multi-asset funds, have been split according to the classes above
**pooled investments in infrastructure and hedge funds, held within diversified growth funds, were grouped into “other” in 2019/20 and have now been disaggregated for comparative purposes.

PF Note 14a - Analysis of Pooled Investment Vehicles

Pooled Investment Vehicles:			Other managed funds:			
2020/21	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
- Equities	191,891	267,976	50,860	0	0	510,727
- Fixed Income	62,281	0	53,658	41,955	0	157,893
- Property	3,771	0	65,266	0	0	69,037
- Credit	0	0	34,668	0	0	34,668
- Other	15,481	0	8,578	0	0	24,059
	273,423	**267,976**	**213,030**	**41,955**	**0**	**796,384**

*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:			
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	51,508	38,550	0	138,840
- Property	2,851	0	40,614	0	0	43,465
- Infrastructure	0	0	27,678	0	0	27,678
- Credit	16,071	0	6,896	0	0	22,967
- Other	**216,921**	**200,990**	**160,992**	**38,550**	**0**	**617,453**

PF Note 14b - Reconciliation of movements in investments

2020/21	Value 31 March 2020	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Equities	176,133	133,925	(153,774)	69,567	225,851
Pooled Investment Vehicles:	-	-	-		
- Equities	329,130	810	(3,505)	123,750	450,185
- Fixed Income	73,206	63	210	5,838	79,317
- Property	40,614	25,082	(1,018)	588	65,266
- Multi-Asset	146,825	2,835	(1,523)	18,811	166,948
- Credit	27,678	1,170	(391)	6,211	34,668
Sub-total Investments	**793,586**	**163,885**	**(160,000)**	**224,764**	**1,022,235**
Other Investment Balances:					
Cash deposits*	5,327	109	(208)	(28)	4,632
Trade receivables / payables	(86)	-	-	(95)	(192)
Accrued income and recoverable taxes	824	-	-	-	814
Net Investment Assets	**799,651**	**163,994**	**(160,208)**	**224,641**	**1,027,489**

*Excludes cash held by Multi Asset Funds

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

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**

PF Note 14c - Investments analysed by fund manager

31 March 2020			31 March 2021	
Market Value	**% of total**	**Fund Manager**	**Market Value**	**% of total**
£'000	**%**		**£'000**	**%**
		Investments managed by London Collective Investment Vehicle		
78,528	9.8%	Global Total Return Fund (Pyrford International)	85,402	8.3%
32,585	4.1%	Diversified Growth Fund (Baillie Gifford)	38,438	3.7%
35,712	4.5%	Absolute Return Fund (Ruffer)	43,108	4.2%
27,678	3.5%	Multi Asset Credit Fund (CQS)	34,668	3.4%
174,503	21.8%	Sub total	201,616	19.6%
		Investments managed outside of London Collective Investment Vehicle		
41,366	5.2%	UBS Global Asset Management	42,586	4.1%
203,778	25.5%	Fidelity Pensions Management	261,987	25.5%
200,990	25.1%	Threadneedle Asset Management - Global Equity Fund	267,976	26.1%
105,808	13.2%	Schroder Investment Management - Global Active Value Fund	149,583	14.6%
-	0.0%	M&G Investments	24,423	2.4%
38,550	4.8%	Janus Henderson Investors - Total Return Bond Fund	41,955	4.1%
34,656	4.3%	Janus Henderson Investors - All Stocks Credit Fund	37,363	3.6%
625,148	78.2%	Sub total	825,873	80.4%
799,651	**100.0%**	**Total**	**1,027,489**	**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 their accounts by their auditors.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Recognised at market value	Not required	Not required
Pooled investments - excluding pooled property funds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled investments - UK and overseas property funds where regular trading does not take place	Level 3	Valued by investment managers on a periodical basis using PRAG guidance	NAV based pricing set on a forward pricing basis with many unobservable inputs feeding into their calculations	Valuations could be affected by any changes to the values of the underlying properties, caused by changes to discount rate, estimated rental growth, vacancy levels etc

PF Note 15a - Fair value hierarchy

			31 March 2020					31 March 2021
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**
176,133	-	-	176,133	Equities	225,851			225,851
				Pooled Investment Vehicles:				
-	384,503	-	384,503	Equities		510,727		510,727
-	138,840	-	138,840	Fixed Income		157,893		157,893
-	43,465		43,465	Property		3,771	65,266	69,037
-	27,678	-	27,678	Credit		34,668		34,668
6,065	22,967	-	29,032	Other	5,254	24,059	-	29,313
182,198	**617,453**	**-**	**799,651**	**Financial Assets at fair value through profit and loss**	**231,105**	**731,118**	**65,266**	**1,027,489**

Pooled property investments at UBS and M&G are treated as level 3 investments due to the illiquidity demonstrated during the Covid-19 pandemic when many property funds were suspended from trading and valuations of underlying assets were subject to valuation uncertainty. This differentiates property funds from pooled funds in other asset classes. The property funds here do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations.

PF Note 15b: Reconciliation of fair value measurements within Level 3

2020/21	Value 31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2021
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	-	40,614		25,082		(430)	65,266
Total	**-**	**40,614**	**-**	**25,082**	**-**	**(430)**	**65,267**

Fund managers have proposed these to be level 3 this year but they were level 2 last year. This is due to the fact disclosed on page 180. As this is the first year with level 3 investments, a comparison to last year has not been made.

PF Note 16a - Classification of financial instruments

2019/20 Fair value through profit and loss	2019/20 Financial assets at amortised cost	2019/20 Financial liabilities at amortised cost		2020/21 Fair value through profit and loss	2020/21 Financial assets at amortised cost	2020/21 Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
176,133			Equities	225,851		
			Pooled Investment Vehicles:			
384,503			Equities	510,727		
138,840			Fixed income	157,893		
43,465			Property	69,037		
27,678			Credit	34,668		
29,032	150		Other*	29,313	150	
	7,535		Cash deposits		17,846	
	8,172		Sundry debtors		7,972	
799,651	**15,857**	**-**		**1,027,489**	**25,968**	**-**
			Financial Liabilities			
-	-	(1,930)	Creditors			(5,705)
-	**-**	**(1,930)**		**-**	**-**	**(5,705)**
799,651	**15,857**	**(1,930)**	**Total**	**1,027,489**	**25,968**	**(5,705)**

*Other includes absolute return, commodities, insurance linked securities, hedge funds and other alternatives in the London CIV

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

2019/20		2020/21
£'000		**£'000**
	Financial Assets	
(25,935)	Designated at fair value through profit and loss	224,669
196	Financial assets at amortised cost	(28)
(25,739)		**224,641**

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) <u>Market risk</u>

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 31/03/2020	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2021	Change +/-	Value on increase	Value on decrease
£'000	**%**	**£'000**	**£'000**		**£'000**	**%**	**£'000**	**£'000**
560,636	28.0	717,614	403,658	Equities	736,577	17.3	864,005	609,150
138,840	9.8	152,446	125,234	Fixed income	157,893	7.6	169,893	145,894
43,465	14.2	49,637	37,293	Property	69,037	14.2	78,840	59,234
27,678	9.8	30,390	24,966	Credit	34,668	7.6	37,302	32,033
5,327	0.3	5,343	5,311	Cash	4,633	0.3	4,647	4,619
23,705	0.3	23,776	23,634	Other	24,680	12.8	27,839	21,521
799,651		**979,206**	**620,096**	**Total**	**1,027,489**		**1,182,526**	**872,451**

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. The table below shows the sensitivity of the investments to interest rate changes.

Assets exposed to interest rate risk	Value as at 31 March 2021	Potential Movement on 1% Change in Interest Rates	Value on decrease	Value on increase
	£'000	£'000	£'000	£'000
Cash deposits	4,633	-	4,633	4,633
Fixed income	157,893	7,124	165,018	150,769
Credit	34,668	419	35,087	34,248
Total	**197,194**	**7,544**	**204,738**	**189,650**

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 2021 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 31/03/2021	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
167,862	184,648	151,076	Overseas Equities	217,295	239,024	195,565
167,862	**184,648**	**151,076**	**Total assets available to pay benefits**	**217,295**	**239,024**	**195,565**

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 2020/21 were based on the actuarial valuation carried out as at 31 March 2019 by the Fund's actuary, Hymans Robertson. The objectives of the Fund's funding strategy is:

- to ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

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 2019 to 31 March 2022 are set out in a certificate dated 31 March 2019 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.

At the 2019 actuarial valuation, the fund was assessed as 95% funded (82% at the March 2016 valuation). This corresponded to a deficit of £42m (2016 valuation: £145m) at that time. Contribution increases will be phased in over the three-year period ending 31 March 2023 for both scheme employers and admitted bodies.

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option
0.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option, it is assumed.

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

Past Service Position	31/03/2019
	£m
Past Service Liabilities	(882)
Market Value of Assets	839
Surplus (Deficit)	(43)
Funding Level	95.0%

Financial Assumptions		31/03/2019
	Nominal	Real
CPI Inflation	2.3%	
Discount Rate	3.9%	1.6%
Salary Increases*	2.7%	0.4%
Pension Increases	2.3%	-

Projected Annualised Returns over 20 Years (50th % ile)	
Cash	2.40%
Index Linked Gilts	0.30%
Fixed Interest Gilts	1.00%
UK Equity	5.70%
Overseas Equity	5.80%
Property	4.30%
Corporate Bonds	1.90%

Life Expectancy from Age 65	31/03/2016	31/03/2019
Male Pensioners	22.5	21.7
Male Non-Pensioners	24.2	22.6
Female Pensioners	24.8	23.9
Female Non-Pensioners	26.7	25.5

Contribution Rates	
Employer Future Service Rate *	18.3%
Past service adjustment (21 year spread) **	3.7%
Total Employer Contribution Rate	**22.0%**

PF Note 19 - Actuarial present value of promised retirement benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2021, 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 2020		31 March 2021
£m		**£m**
(1,120)	Actuarial Fair Value of Promised retirement benefits	(1,477)
814	Net Fund Assets available to fund benefits	1,048
(306)	**Net Liability**	**(429)**

PF Note 20 - Current assets

31 March 2020		31 March 2021
£'000		**£'000**
1,117	Contributions Due	1,129
7,055	Other debtors	6,843
7,535	Cash at Bank	17,846
15,707	**Total Current Assets**	**25,818**

PF Note 21 - Current liabilities

31 March 2020		31 March 2021
£'000		**£'000**
(11)	Benefits Payable	(80)
(9)	Transfer Values	(127)
(1,910)	Other Creditors	(5,498)
(1,930)	**Total Current Liabilities**	**(5,705)**

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 2020/21 were £71,608 (£89,419 in 2019/20).

Market Value 31 March 2020 (re-stated)		Market Value 31 March 2021
£'000		**£'000**
142.0	Utmost Life and Pensions	79.0
844.2	Aviva	958.5
986.2		**1,038**

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 2020/21 was £857,482 (£605,072 in 2019/20)

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 £3.259m in employer contributions, deficit and early retirement costs from this body in 2020/21 (£2.543m in 2019/20).

PF Note 23a - Key Management Personnel Remuneration

The key management personnel for the Pension Fund are the Pensions Finance and Investments Manager, the Governance Lead, the Head of Pensions Investments, the Head of Pensions Administration and the Assistant Director of Finance at the Royal Borough of Kingston. 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.

PF Note 24 - Contingent liabilities and contingent assets

There are no known material contingent assets as at 31 March 2021. 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 2020/21

(DRAFT)

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 making sure its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. RBK has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, considering a combination of **economy, efficiency** and **effectiveness**.

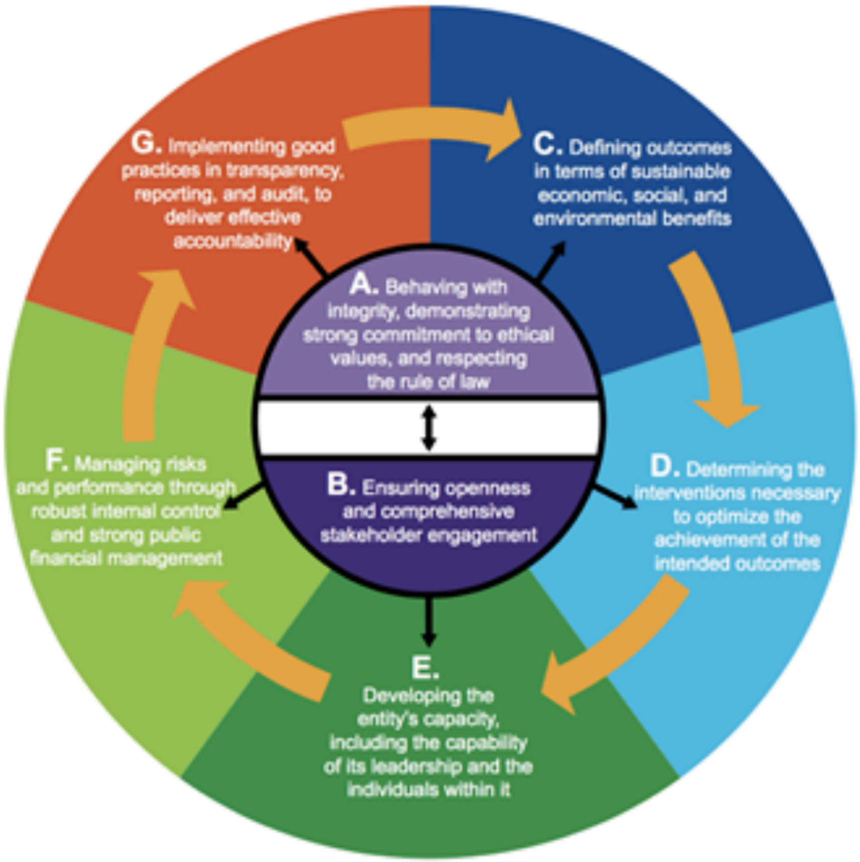
The Council is responsible for putting in place proper arrangements for the governance of its affairs, making sure its functions are exercised effectively, and having arrangements for managing risk, including arrangements for the management of risk. This statement is "an open and honest self-assessment" of the Council's performance across all its activities.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up of 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 if those objectives have led to the delivery of appropriate, cost effective services. Whilst supporting the Council's arrangements for risk management, it cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

THE GOVERNANCE FRAMEWORK

The CIPFA/SOLACE Framework for Delivering Good Governance in Local Government (2016) provides a core set of seven principles, listed below, to support good governance and the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. RBK's Local Code of Corporate Governance reflects these principles.



The Constitution

The Constitution sets out the processes for how the Council considers issues and makes decisions. Its key purpose is to enable good quality decision making. It is a living document which means it is regularly updated and developed to reflect changes in legislation and the way we organise ourselves and do things. A detailed review of the Constitution took place in 2018/19. There is now an annual review which is reported to Council.

Corporate Performance and Risk Management

The Council has a Risk Management Framework (approved in 2019) and directorate risk registers are updated quarterly alongside the quarterly performance management reporting cycle. Significant risks are escalated to the Corporate Risk Register for review by SLT and a bi-annual report is produced for the Audit, Governance and Standards Committee. During 2020 the Corporate Performance and Risk Board reviewed its Terms of Reference to ensure a golden thread through performance, risk management, and audit outcomes. The board monitors the risk register, key performance indicators, and priority one recommendations arising from audit outcomes.
Over the past year, performance and risk management reporting has returned to business-as-usual after the pause required to assist the council-wide response to the initial stages of the pandemic. The discipline of submitting KPI data, narratives and risk updates is becoming more established among services, with improving levels of completeness and more time being devoted to the subject at directorate leadership team meetings and SLT. The upcoming recruitment of an additional officer will provide the function with more capacity and over the coming year there are plans to assist services in improving the quality of performance - and in particular risk - information; improve risk guidance and the overall visibility of the Corporate Performance and Risk function. All of this is with the aim of improving service performance, identification and response to risks that will help the organisation achieve its planned outcomes.

The Council has a robust Audit, Governance and Standards Committee to strengthen and consolidate its governance arrangements and provide the core functions as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". This includes providing independent and effective challenge to ensure that the council's internal control and risk framework is effective.

SLT 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 there is greatest need, and where the biggest difference can be made to improve outcomes for local people, particularly for those who are most disadvantaged. An increase in capacity in this area has been approved in the 2021/22 budget.

Commissioning Framework

A review of the council's contract regulations was completed in April 2021. The updated regulations reflect amendments to the Public Procurement Regulations following the withdrawal of the UK from the EU and new provisions such as the requirement to publish contract notices on a UK e-notification system, Find a Tender Service (FTS). The changes bring further clarity and consistency with the tested procedures and guidance developed during the national emergency response, enhance understanding and streamline decision making process. The Commissioning Governance Board and Strategic Commissioning Board continue to support good governance of the Council's commissioning arrangements and an officer/member working group was established in July 2020 to to oversee the design and delivery of the new commissioning framework, which includes a new commissioning strategy, commissioning and contract policies, and a range of internal tools and resources. A commissioning competencies model and a learning development plan has been designed alongside the commissioning framework, which will support its implementation. The final commissioning framework and all various policies that sit underneath will be presented to Committee late 2021 for formal adoption by the Council.

The Commissioning and Contract Management Toolkit was updated to include emergency contract procedures during the COVID-19 pandemic and additional guidance and support was provided to commissioners and contract managers to better understand contract modifications under emergency.

Government Funding

The financial year 2019/20 was the final year of the last local government four year financial funding settlement and single year settlements have been issued for 2020/21 and 2021/22, creating a level of uncertainty over future funding. Kingston has been self-sufficient in terms of funding reliant on Council Tax, Business Rates, other sources of income, as general government grant funding was reduced to nil 3 years ago. The London Business Rates Pooling Pilot has continued through 2020/21, though the impact of the pandemic on business rates income across the capital has been severe and the benefits of pooling therefore limited. The pool has been discontinued for 2021/22 due to the ongoing risk around business rates income across the capital as the economy tries to recover from Covid-19.

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.

Commercial Arrangements

The Council has the following commercial arrangements:

- **Achieving for Children (AfC)**

  AfC is a Community Interest Company jointly owned by RBK 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 Ownership Board and reserved matter decisions are made by the committee with oversight of children's services for each of the three local authorities. The Committee is responsible for decisions on those matters that are reserved to the Council. All other decisions are delegated to the Board of Directors of AfC which includes non-executive independent directors jointly appointed by the three local authorities as well as two Kingston appointed directors. Governance arrangements require that a review of the effectiveness of internal control is carried out by the Director of Children's Services and reviewed by the Chief Operating and Finance Officer. Findings are reported to AfC's Audit and Risk Committee which agrees a Statement of Internal Control and advises the Board that the Company has adequate and effective arrangements in place in relation to company governance, risk management, internal control, treasury management and value for money systems and frameworks.

- **Cambridge Road Estate Joint Venture, Limited Liability Partnership Board (CRE JV LLP)**

  The Council has established 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. The CRE JV Board includes Councillor Board members, selected following an internal recruitment process to assess suitability and skills required to undertake such commercial activities.

- **Kingston Theatre LLP**

  The Council owns a 95% share in Kingston Theatre LLP who own the building operated by Kingston Theatre Trust and known as The Rose. The remaining 5% of Kingston Theatre LLP is owned by Kingston University. The company has been established for over 10 years and their sole purpose is to act as landlord for the Theatre. There is representation on the board for both the Council and the university.

- **RBK Holdings Ltd and Kingston-Upon -Thames Investments Ltd (formerly Guildhall Capital Ltd)**

  The Council has established a commercial structure which comprises a holding company for the Council's wholly owned companies. This currently comprises an investment company. There is further review of the company's business plan in light of the economic climate and in particular changes to the accessibility of the Public Works Loan Board. The holding company board is made up of Councillors and the investment company board has a mix of officers and councillors providing a mix of expertise. A non-executive director will be recruited to the board upon completion of the review of the business plan to ensure the right skills and expertise are represented.

In light of recent public interest reports from local authorities across the country, RBK commissioned a review of its company governance in spring 2021 to ensure its governance arrangements are robust. Recommendations arising from that report will be reported to SLT.

New and Updated Governance Arrangements and External Sources of Assurance

Transformation Board

The Transformation Board meets every 6 weeks and has ownership of the outcomes of Kingston's transformation programme and focuses on strategic oversight and scrutiny of the critical path. The board:

- Oversees the transformation critical path and reviews progress from the Delivery Boards to take strategic actions to achieve the Council's vision and objectives
- Monitors the progress of transformation projects in the programme against key milestones and actual expenditure against budget
- Receives and reviews the allocation of resources to deliver the Transformation Programme
- Oversees strategic risk and issue management across the Transformation Programme.

Capital Board

The Capital Board meets quarterly and leads on the development of the Capital Strategy that is consistent with Council vision and objectives. The board recommends a capital programme to members based upon rigorous business cases, approves a 'pipeline' of capital projects, monitors the progress of capital schemes in the programme against key milestones and actual expenditure against budget and receives and reviews in-year changes to the capital programme, with delegated authority to approve changes and business cases up to £1.0m.

Major Developments and Investment Board

The Council is embarking on a major set of development schemes, including the redevelopment of two new leisure centres (valued at approx £70m investment). The Board will be chaired by the CEx, with attendance from 151 and MO as well as the Executive Director of Place with responsibility for ensuring delivery, managing risk management, governance and financial oversight across the portfolio and decisions. This will be supported by an Assistant Director delivery board underneath which will ensure a strong PMO approach and a corporate oversight ensuring strong alignment with other programmes such as the Future WorkPlace and ensuring strong client oversight from respective departments such as leisure.

LGA Peer Review

The LGA carried out a follow-up visit to the January 2019 corporate peer challenge in May 2021 which provided positive assurance on the Council's progress against recommendations made previously. Progress will continue to be monitored through the Corporate Plan indicators and reported to SLT. Corporate Peer Challenge - Follow Up Visit

Statutory Integrated Care System

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. The draft White Paper which sets out proposals to implement Integrated Care Systems as statutory bodies by April 2022, with shadow arrangements in place by October 2021 has been consulted on, and is now in the process of being approved. The paper also includes proposals for a new assurance framework for local authorities relating to adult social care, and other changes relating to public health, wider NHS integration and the establishment of local Place based governance. with the appointment of a NHS Place based leader. The council has established a programme of work with the NHS to support the changes, and is also through the Chief Executive leading a SWL wide programme of change: Strengthening Communities.

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.

The process for maintaining and reviewing the effectiveness of the governance framework in place in 2020/21 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
- completion of governance self assessments by senior officers
- holding discussions with key senior officers to assess the Council's corporate governance framework
- Attending Departmental Management Team meetings to discuss governance issues.
- Holding an Annual Governance Statement workshop with the Strategic Leadership Team to assess the Council's corporate governance framework

Key elements of the governance framework operating during the year under review (2020/21) 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 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
Neighbourhood Committees	Four neighbourhood committees made up of the councillors representing the electoral wards in each neighbourhood. 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.

Annual Governance Statement (continued)

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 of the authority. Advises the Council on the adoption of the Code of Conduct for Councillors, including its monitoring and updating.
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 health services in the borough are properly integrated
Regulatory Committees	The Planning 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
Scrutiny Panel	Established to consider Member and Community call-ins
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

Annual Governance Statement (continued)

Kingston and Richmond Safeguarding Children 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	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.
Corporate Property Board (CPB)	Ensures all asset and property related matters are brought together and discussed and oversees the commercial and operational assets of the Council managed by the property team and provides an overview of the capital programme.
Strategic Commissioning Board (SCB)	Provides 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.
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)	The structure consists of four directorates: Adult Services & Health, Children's Services (AfC), Place, and the Corporate & Communities. DMTs 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 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

Annual Governance Statement (continued)

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 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

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 2020/21. 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. Although Covid-19 has inevitably impacted on business as usual, a significant amount of work has been undertaken to improve systems and processes across the Council. In some areas, these are not yet fully embedded or procedures consistently applied. During the last year it has been challenging to keep assurance measures in place due to the focus of capacity and workforce on the pandemic. A process to refresh and provide corporate communications in a number of areas would be helpful to remind people of their responsibilities.

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.

SIGNIFICANT GOVERNANCE ISSUES

The Audit, Governance and Standards Committee considered and approved the 2019/20 AGS at its meeting on the 19th November 2020. 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 (2020/21). Progress against this plan has been monitored regularly by SLT and reported to the Audit, Governance and Standards Committee and an update is detailed below.

Whilst some of these risks have been mitigated during the 2020/21 financial year, there are a number that will continue to be monitored and remain high profile in 2021/22. The Council's response to the COVID crises remains core to the Council's approach to governance and will be monitored through the 2021/22 financial year.

GDPR, Information Governance and Records Management

Information Governance has seen significant progress in 20/21. There has been a cultural shift in the council's response to information governance. Link officers have been identified across the organisation who lead on ensuring responses to FOI requests are timely, and are receiving additional training to support them in those roles. This in turn is improving awareness of information governance more broadly, including compliance with the GDPR. Work has been undertaken to improve compliance with FOI request timescales, with a shift from 70% of requests responded to on time in 2020 to an average of 96% over the first 4 months of 2021.

New mandatory training has been rolled out, including a module on cyber security. Compliance rates are improving with 87% of staff having completed as of the 15th June. A training pyramid is being developed with targeted training to Information Asset Owners, SLT, and relevant statutory officers (SIRO, Caldicott Guardian, DPO).

Governance arrangements have been enhanced and is now made up of:

- **Corporate Information Governance Group**

  Oversees the strategic direction, comprising the statutory officers with data responsibilities, the Head of Internal Audit and the Corporate Performance & Risk Manager and chaired by the General Counsel. Issues raised here can be escalated to SLT.

- **Information Governance Operations Group**

  Operational board, comprising link officers from across the organisation and chaired by the DPO. Reports to the Corporate Information Governance Group

- **Digital and IT Security Board**

  Oversees the management of cyber security risks, ensuring security policies are up to date and adhered to. Chaired by the SIRO and reports to the Corporate Information Governance Group.

Records Management now forms part of the Future Workplace transformation. The project is headed by a Programme Manager and pulls together all strands of records management including off-site and on-site storage and digital storage. Work is being carried out on the Council's retention schedule and the future management of both digital and paper records.

Compliance with Policies and Procedures

A comprehensive action plan has been completed to tackle the issues identified. Whilst there has been significant progress throughout the year there is still work to be done. There has been a shift in culture and awareness of the need to understand policies and procedure and this can best be demonstrated by the improvement in FOI responses. There will be a continued focus on mandatory training and the organisation's approach to induction to drive forward the culture and behaviours needed. Work on service plans has been fundamental to understanding the policies and procedures relevant in service areas and as a whole organisation. A register of policies, procedures, and strategies has been collated by Corporate Strategy and Partnerships Manager so there is now a "one stop shop" for officers to access the information they need to carry out their roles. A working group comprising the Assistant Directors for HR and OD, Culture, Communities and Engagement, and Digital and ICT and the General Counsel will continue to monitor compliance and report progress to the Corporate Performance and Risk Board. This will continue to be monitored through the Annual Governance Statement Action Plan.

Project and Programme Management

An established corporate approach to project and programme management is underway. A review of transformation governance was completed and a new project and programme management framework was established. A Programmes and Projects Community of Practice has been launched to support training and development across the organisation.

The governance framework will be rolled out across all of Kingston's major projects, which fall broadly to the following boards:

- Transformation Board
- Capital Board
- Corporate Property

Whilst significant progress has been made, work will continue in the coming year with implementation of the Project Governance Action Plan which will be overseen by a dedicated Strategic PMO Manager with all actions expected to be delivered by September 2021. This will continue to be monitored through the Annual Governance Statement Action Plan.

Dedicated Schools Grant

During 2020/21 a safety valve agreement was reached with the Department for Education which provides for an additional £30m in dedicated schools grant funding over five years, subject to the delivery of the SEND transformation plan. £12m of this grant funding was received in March 2021, reducing the overall DSG deficit and significantly reducing the financial risks associated with the deficit that had accumulated to that point.

The SEND Futures Plan will remain a critical priority for AfC and for Kingston moving into next year. The updated plan for Kingston, and detailed budget setting for the wider DSG fund, were approved by Council as part of the 2021/22 DSG budget setting process. The plans focus on both continuing to improve services for children and young people with SEND as well as on continuing to improve value for money. This will continue to be monitored through the Annual Governance Statement Action Plan.

Workforce Planning

The Council is still in the midst of the emergency response to Covid-19 pandemic and the focus of resources has been supporting that response and the health wellbeing of our workforce. This has included workforce planning to support response and recovery.

As preparations are made for a phased return to work and ways of working are reviewed through the Future Workplace Programme, workforce planning needs to be rolled out alongside the new ways of working. The full scope of competencies and learning needs will be clarified as a key part of the transformation. Detailed work carried out before this has been completed would risk spending in areas which may need to change very soon after and potentially significantly in some areas of work. Organisational development will form part of a wider review of HR procedures to ensure that they remain agile, fit for purpose and are properly embedded. This will continue to be monitored through the Annual Governance Statement Action Plan.

Covid-19 Emergency Arrangements

Emergency arrangements were implemented swiftly at the outset of the pandemic with Emergency Resilience and Response processes implemented through a Gold and Silver command structure. Prior to legislation permitting virtual committee meetings decision making was delegated under existing constitutional urgency arrangements. There was extended consultation with the Leader and Leader of the Opposition in addition to the consultation required with the Co-Chairs. Clear records of decisions taken using the urgency route were logged and published on the Council's website. Where timescales permitted, arrangements for consultation were extended to the full committee. Virtual meetings were subsequently successfully implemented and a Response and Recovery Committee was established to deal with decisions of all five strategic committees. By September 2020 further committees had been reinstated virtually and by December 2020 nearly all committees were operational with meetings taking place virtually.

An audit was undertaken in first quarter of 2020/21 to review the governance arrangements and management oversight of the Council's Covid-19 response and to draw on comparisons with other partners within the audit partnership. This was a high level review which assessed the impact on business as usual in the delivery of services, established whether there was sufficient oversight and control over new areas of activity as part of the national response to coronavirus, and sought to highlight any governance issues arising and any lessons learned from the response that could be shared and used as areas of improvement.

The audit provided assurance over the following areas:

- Strategic governance arrangements
- Procurement (application of PPNs)
- Financial Position-Expenditure and income tracking
- Debt recovery
- Business rate grants and discretionary grants
- Commercial rents
- High Street Funding
- Care Act easements
- Hospital discharges

- Infection Control
- Temporary Accommodation including Rough Sleepers
- Hardship Fund (detailed as Social Fund in the Terms of Reference)
- Track and Trace

The review found that RBK had responded effectively to Covid 19. The governance arrangements had quickly been adapted to online committee meetings and engagement with members was managed well. Decision making arrangements were swiftly put into place and worked effectively. The Council's response was aligned in the most part with the other partner councils and although a small number of recommendations were made, these were minor in nature.
The next crucial steps for the organisation will be through moving out of the response phase to the pandemic and into one of recovery being mindful and aware of capacity within the organisation and the need for there to be clear expectations around roles and responsibilities.

New Governance Issues - Improvement Plan 20/21

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.

Issue/Risk	Action Taken
Major Schemes and Development Kingston is embarking on a number of significant development schemes. New governance arrangements are being developed to ensure oversight of each of those major schemes. This will include a Major Developments and Investments Project Board, chaired by the Chief Executive and attended by the General Counsel, s.151 Officer and Executive Director for Place. It will receive updates on all major projects managed through the project delivery board. There will need to be swift implementation and embedding of governance arrangements to ensure projects are being run in accordance with all necessary processes and procedures including statutory obligations and to ensure learning is taken from recent Public Interest Reports in other local authority areas.	To embed the new governance arrangements, involving Internal Audit in both an advisory capacity and in strength testing the robustness of those arrangements. To engage fully with the work being carried out to implement the Project and Programme management recommendations referred to above including provision of full business cases and project plans for each major project. To ensure that officers of relevant seniority are fully sighted on all aspects of the various projects and that there are clear expectations and oversight in place and that projects are progressing in accordance with legal and constitutional requirements.

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.

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 2020/21 Annual Governance Statement is due to be approved by the Audit, Governance and Standards Committee in July 2021

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

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